

JULY 1977

Nation's Business

DECISION FOR CONGRESS

New Union Drive for One-Sided Labor Law

**A Pledge
From Washington
to Help
Small Business**

**How Businessmen
Size Up
the Next
Six Months**



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Q: Why did you go to Lockheed?

A: Price was a big reason. Also the system can grow with us.

Q: Does that mean you've got bigger plans for it?

A: Oh, yes. It's going to cover everything from scheduling to order entry to shipping. And it will also report on all assembly work.

Q: Any second thoughts?

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Nation's Business

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If this ad gets enough people to act,
your insurance may become
a better buy.

**"I burned
my business
to the ground.**

**Thanks,
America, for
helping pay
for it."**

—Anon.

Insurance rates are at record levels. Some types of coverage are becoming unaffordable.

Now then. Insurance companies are required to see that there is enough money on hand to cover losses as they occur. So rates are based on expected claims.

And frankly, rate increases could go on forever if the public is willing to pay for them.

But at The St. Paul we think people ought to know the score. Because ultimately they pay for high claims costs.

So we're running advertising like this. Hopefully,

it will inform the public and encourage them to take a long hard look at what is happening and then take action.

And if that happens, insurance rates might just stabilize. That would be a nice change.

You can help. Get one of our Enough is Enough booklets from your local Independent Agent or broker representing The St. Paul.

It's full of information on the causes, the pro's and the con's of some possible cures for high insurance rates.

At The St. Paul we feel Enough is Enough.
How do you feel?

Arson fires cost over \$1 billion last year. Who pays for this billion dollar bonfire? We *all* do.

When somebody decides to put a match to his business it is tough to prove. When arson for profit can't be proven, the insurance company has no choice but to pay. All of us contribute to these soaring damage claims by paying more for our own property insurance. Because insurance is merely sharing a risk among many.

What can you do about it?

Help to have arson classified as a major crime. One with the same high priority for prosecution as robbery.

Push for uniform state laws on reporting, detection and investigation. Laws that would make arson harder to get away with. (Over 20% of all fires are thought to be arson, yet only 1%-3% of confirmed arson cases result in conviction.)

Work for programs to improve investigation techniques and cooperation among fire fighters, police officers and insurance investigators.

Write to state officials.

Tell insurance commissioners, police and fire department officials that you would like to see some changes made.

Put pressure on local prosecutors and encourage them to get involved.

Let people know you've had enough.

Send for our "Enough is Enough" consumer booklet. It's full of information on the causes and the pro's and con's of some possible cures for high insurance rates. You'll find out how to register your views where they count. And how you can help hold down your own insurance costs.

Or you can just do nothing and figure the problem will go away. Of course, if it doesn't, better keep your checkbook handy.

Enough is Enough

Write The St. Paul for your "Enough is Enough" booklet. Or contact an Independent Agent or broker representing The St. Paul. He's in this with you and wants to help. You'll find him in the Yellow Pages.

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A LOOK AHEAD FROM WASHINGTON

Product Liability: Tax Aid Proposed for Self-Insurers

Firms that go bare in the product liability arena have a friend in court in Sen. John C. Culver (D.-Iowa). He wants to give them a tax benefit.

Going bare is the term used for self-insuring. Many small manufacturing firms have to self-insure for product liability in the face of high insurance premiums or nonavailability of coverage at any cost.

As the Internal Revenue Code now stands, a firm can deduct insurance premiums as a business expense but cannot deduct funds simply put into a reserve for product liability claims.

Sen. Culver has introduced a bill, S. 1611, to make contributions to a product liability retention fund tax deductible. The amount which could be reserved under the bill would be limited to three percent of gross sales in any given year. The senator says this is comparable to what businesses most seriously threatened by the possibility of product liability lawsuits are now paying in product liability insurance premiums.

"The reserved funds would be available only for product liability payments, and withdrawals for any other purpose would be subject to a stiff penalty," Sen. Culver says.

FTC Will Honor Consumer Requests for Secrecy

Consumers should not be under the impression that they are automatically sheltered by a rule of confidentiality when complaining to the Federal Trade Commission about a business, FTC says. Nonconsumer complainants are routinely accorded strict confidentiality.

To end any misunderstanding, FTC plans to amend its rules on disclosures to make it clear to consumers that, unless they specifically request that their complaints be treated confidentially, their identities might be disclosed when the complaints are referred to other government agencies or to businesses complained about. However, even with no request by the complainant for strict confidentiality, the commission might decide to withhold the name if circumstances indicate confidentiality is expected.

Meanwhile, FTC is considering changes in its policies about disclosure of the identities of firms or persons under investigation [see "Business: A Look Ahead From Washington," NATION'S BUSINESS,

June, 1977]. FTC now routinely discloses industrywide investigations, but not the identity of firms. Under consideration are alternative changes—routine full disclosure or complete nondisclosure.

Business organizations contend that policy on both complainants and those complained against should be considered as a package, because confidentiality on the one hand and disclosure on the other could lead to protected complaints forming the basis of publicly known investigations.

At a minimum, business groups say, any complainant who prompts FTC to start a publicly announced investigation should be identified.

ICC Sets Up Office for Small Business

Small truckers and shippers now have a special place to go for help at the Interstate Commerce Commission—the Small Business Assistance Office.

ICC's new chairman, A. Daniel O'Neal, has established the office to help small and minority-owned businesses understand the often overwhelming administrative procedures for operating in the regulated trucking business.

ICC is preparing written informational material for the small business community which in time should be available from the agency's 85 regional and field offices or from Washington. Also planned is a hot line. Until this phone line becomes operational, small firms should call Bernard Gaillard, director of the new office, in Washington at (202) 275-7597.

World Prosperity Ahead

Prosperity is the outlook for the world economy in the next two years, according to Dr. Jack Carlson, chief economist of the Chamber of Commerce of the United States.

He sees U. S. exports growing at a slower rate than those of Japan, West Germany, and the free world in general. He sees U. S. imports growing at a greater rate than those of Japan and the free world in general, but less than West Germany's rate.

Japan is forecast to have a higher industrial growth rate than the U. S., which is expected to be ahead of West Germany. Japan should benefit from the U. S. and West German appetite for imports, Dr. Carlson says, but should also suffer the worst inflation. He sees inflation in West Germany as less severe than in the U. S. through 1978.

Federal Agencies Focus on Foreign Banks in U. S.

The pressure is being kept on in efforts to have foreign banks operating in this country come under the same regulations as domestic banks.

On the one hand, the National Labor Relations Board has ruled that employees of a foreign-government-owned business operating in the U. S. are entitled to National Labor Relations Act protection. NLRB made the ruling in ordering a union representation election at the Chicago branch of the State Bank of India. Although employees of privately owned foreign corporations have been covered by the labor act, government-owned foreign firms, most of which are financial institutions, have not.

NLRB indicated that its decision was influenced by the Foreign Sovereign Immunities Act of 1976, which became effective last January. This act, NLRB says, reflects the intent of Congress to deny immunity from U. S. regulation to a foreign state's commercial activities within the U. S.

Meanwhile, the Federal Reserve Board has come out in strong support of H. R. 13876, The International Banking Act of 1977, introduced by Rep. Ferdinand J. St. Germain (D.-R. I.) and 20 colleagues.

Arthur F. Burns, chairman of the Fed, says the legislation is needed to place foreign banks under the same type of federal regulations that are imposed on comparable domestic banking institutions.

The Fed, which has supported such legislation since 1974, says total assets of U. S. offices of foreign banks have increased 30 percent since then, to \$73 billion. In March, Chairman Burns says, 92 foreign banks were operating 207 banking facilities in this country, and many more such facilities were planned.

How Small Is a Small Farm?

The Small Business Administration has come up with a yardstick for determining if a farm is small. The agency has decided that, if gross receipts are under \$1 million annually for three consecutive fiscal years, the farm is small.

Congress last year passed legislation making small farmers eligible for SBA assistance along with the more traditional small businesses. This was in addition to aid offered farmers by the Farm Home Administration.

Since then SBA has wrestled with the problem of defining a small farm. In December the agency came up with a ceiling of \$275,000 in annual receipts—far above the average for U. S. farms, which was only \$28,000 in 1974—and asked for public comment.

Farmers obliged. SBA learned some sobering facts about farming problems which led it to raise its ceiling.

For example, the agency found that even farms with receipts nudging \$1 million annually had trouble at the loan window. Obtaining short-term loans for seed, etc., is not usually a serious problem, nor is

obtaining long-term loans to acquire more land. The major problem is with intermediate loans, of the three-year to six-year type, needed to buy expensive equipment that efficient farms now require.

More Inspections Planned for Trucks and Buses

The Federal Highway Administration, in an effort to improve safety of commercial trucks and buses, is proposing pre-trip inspections by the enterprises that operate the vehicles. Post-trip inspections are already required.

Affected would be some four million trucks and buses subject to motor carrier safety regulations set by the Department of Transportation.

The Highway Administration proposal appeared shortly before the General Accounting Office issued a report that said approximately 20 percent of America's traffic deaths in 1975 were due to accidents involving trucks and buses.

GAO also reported that more than one third of the 54,800 trucks and buses inspected by federal personnel during 1974 and 1975 were unsafe and taken off the road pending repairs.

The Highway Administration wants written reports from the operators on pre-trip inspections in addition to the presently required reports on post-trip inspections. A vehicle should not be allowed to operate, the agency says, unless all safety-related defects noted on both pre-trip and post-trip reports are remedied. The agency is accepting public comments until July 29.

Bill Would Help Taxpayers Stand Up to Internal Revenue

Sen. James B. Allen (D.-Ala.) has launched a new legislative effort to make a business or an individual less likely to capitulate to the Internal Revenue Service in small tax cases.

Last year the senator successfully steered through a measure which made it possible to bill the federal government for defense attorney's fees and other costs in a case where a taxpayer stood up to IRS and won. The measure was an amendment to the Civil Rights Attorney's Fees Awards Act of 1976.

Then a U. S. Tax Court interpretation "rendered my amendment virtually meaningless," Sen. Allen says.

Now he and Sen. Alan Cranston (D.-Calif.) have introduced the Taxpayer's Attorney Fee Award Act of 1977.

The bill would permit a court to award costs to a taxpayer who "elected to go to the mat with the government rather than cave in when faced with protracted litigation and substantial attorney fees over an issue involving a relatively small sum," Sen. Allen explains. □

Billy Carter for President?

Your article on "Billy Carter: Frustrations of the Small Businessman" [May] leads me to think we may have elected the wrong brother to the presidency.

He speaks the truth, as every businessman and taxpayer knows. Unfortunately, the bureaucrats will not listen.

Since President John F. Kennedy saw fit to have Robert Kennedy as his Attorney General, the least Jimmy could do is to make Billy Secretary of Agriculture. Better yet, I think Billy should be Secretary of Health, Education, and Welfare. In fact, he really should have both positions.

One of the great things about Jimmy's election is the exposure being given to Billy's ideas.

Hang tough, Billy. I hope you have more influence with your brother than the self-perpetuating bureaucrats have. **ROBERT J. GIBBONS, D.D.S.**
Arlington, Texas

I am more convinced than ever, after reading your article, that the wrong Carter was elected President.

ROBERT F. BOGAN
Edmond, Okla.

Right on, Billy.
The biggest problem business faces today is not inflation, but the ever-present, overpowering, bungling federal bureaucracy.

ALBERTA BYRNES
Secretary
Seven-Up & Pepsi-Cola
Bottling Co., Inc.
Jennings, La.

You write that Billy Carter "can look at four tons of peanuts on a truck and tell you within 200 pounds what they weigh, and that is something you don't learn from school-books."

I know nothing about the peanut industry and, like Billy, I am not a college graduate, but I can come closer than that. In fact, I can tell you exactly what four tons of peanuts weigh—8,000 pounds.

RALPH A. HERBOLD
Purchasing Agent
Sanders Plumbing Co.
Lynwood, Calif.

Record response

Thanks to your article, "The Mystery of the Business Graduate Who Can't Write" [February], we have received countless queries about our course in business writing. We have never before had such a response from any article.

EDWARD T. LEWIS
Assistant Dean
Graduate School of Business and
Public Administration
Cornell University
Ithaca, N. Y.

Workers and productivity

In the item, "Why U. S. Productivity Is Not Growing Faster" ["Executive Trends," April], Howard C. Lockwood, chairman of The National Management Association's Productivity Committee, says that "it is wrong to blame workers for America's lagging productivity growth."

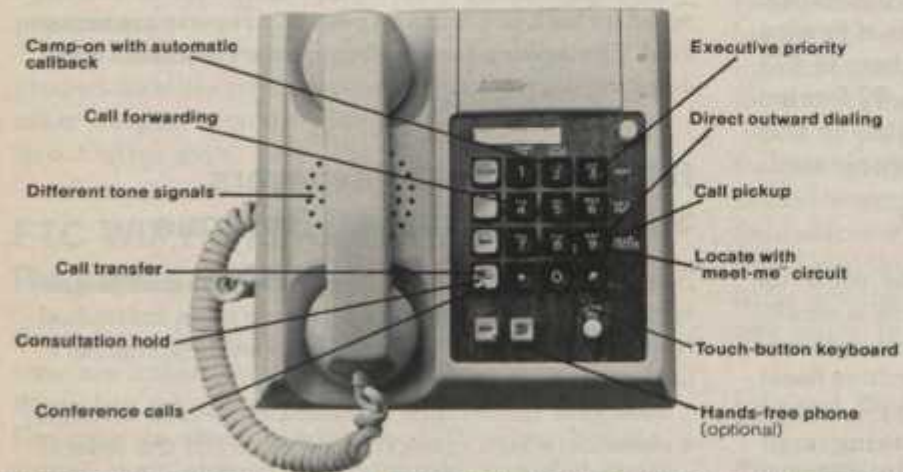
My own observations over a long period, however, lead me to place the major blame on workers and their unions.

Unions set production limits in the construction trades, on assembly lines, and in other work areas. The major problem lies in the attitude of people who place their own rights over their responsibilities to their fellowmen.

HAROLD S. MARSH
Hopkinsville, Ky.

Headed for dictatorship?

Chairman Fred T. Allen of Pitney Bowes, Inc., says in "Winning and Holding Employee Loyalty" ["Les-



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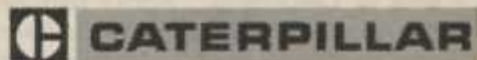
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sons of Leadership," April] that he does not believe many countries "are now moving toward communism or other types of state ownership."

However, I see our own country going hell-bent for a dictatorship. Consider, for example:

- The number of people-controlling laws passed here in recent years.
- This country's pussyfooting actions toward Russia, a totally atheistic nation that has been our avowed enemy for years.
- Our actions toward proven friends, such as Rhodesia and South Africa.

SIDNEY N. BOYLES
Ridgeland, S. C.

Mr. Lance's workday

Your article, "OMB Director Bert Lance Seeks Business Help" [May], was accompanied by a personality profile in which Mr. Lance is said to be determined to emphasize the management side of the Office of Management and Budget. The article also notes that he arrives at his office by 7 a.m., leaves late, and gets by on four hours of sleep.

Anyone who has to work more

than a normal executive workday of eight to ten hours is not organized, nor is he emphasizing management practices.

Perhaps now that the first five months of the Carter administration are behind him, Mr. Lance will be able to get at least five hours of sleep every night.

A. P. SALISBURY
Partner
Trans-Oceanic Business Advisors
Champaign, Ill.

Transfers and trauma

Mrs. Jayne Spain says in "A Leading Businesswoman's Perspective on Management" [March] that substitution of socialism for private enterprise means that workers ultimately lose the freedom to decide where they will live and work and what kind of education they will receive.

I have been involved with employees of large corporations and can identify with their trauma over company-ordered transfers—for promotions or other reasons—that deny them the same freedom.

They can either accept the decisions of their companies on where

they will live, work, and educate themselves and their children, or they can seek other employment.

What are the great differences Mrs. Spain wishes us to observe in the impact of the two systems on employees?

REV. GUY H. MCIVER
Pastor
The First Presbyterian Church
Sidney, Ohio

Flexibility is important

Dr. Lawrence Al Siebert's article, "The Self-Determination of Success" [March], was excellent.

As he points out, it is important that we have flexibility in our personalities if we are to deal with the various situations that face us daily.

I know many people who lack this flexibility. Some perform well under pressure but lack motivation otherwise. Others work well when things are running smoothly but fall apart in stress situations.

More articles of this nature would be beneficial to the business community.

HOWARD HURLEY
Assistant Controller
Parkview Episcopal Hospital
Pueblo, Colo.

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Sweeping Rules on Employing the Handicapped

BACK IN the fall of 1973, Congress finally got around to approving a comprehensive Rehabilitation Act. It had been a long struggle, involving two presidential vetoes and endless legislative hassles. The act was thought of primarily in terms of vocational rehabilitation of the handicapped, and virtually all the debate turned upon programs of direct aid to handicapped persons through various public agencies.

On April 28, 1977, more than three and a half years later, the Department of Health, Education, and Welfare finally got around to issuing regulations intended to implement the act. More precisely, the new regulations are intended to implement Section 504 of the act. These are sweeping regulations. They will have a profound effect upon every public and private agency receiving federal financial assistance. By extension, the HEW regulations will affect all but the smallest employers everywhere. Yet curiously, the regulations have attracted little public comment. They deserve your sober and concerned attention.

Let me insert a personal word at the outset. Last month I wrote a newspaper column reporting the HEW regulations and commenting upon some of the prospective problems and consequences. To my dismay, the column attracted a deluge of letters—reproachful, angry, and in some cases venomous letters—charging that I lacked compassion, or sympathy, or sensitivity toward the plight of handicapped persons. This I deny absolutely. Not to put too fine a point upon it, I have known at first hand, in my own family and in families very dear to me, the cruel impact of physical and mental handicaps. But it surely denotes no lack of compassion to observe that the implementation of these regulations will impose heavy costs. HEW's own estimate is \$2.4 billion over the next three years. Other estimates put the costs at up to \$10 billion. These costs have to be discussed, planned for, and somehow met. Nothing is to be gained by ignoring them.

VERY WELL. As HEW Secretary Joseph A. Califano, Jr., pointed out in April, Section 504 of the act was adopted "without legislative hearings and with virtually no floor debate in either house." This is astonishing, for Section 504 is as clear and unmistakable as a clap of summer thunder. It says:

"No otherwise qualified handicapped individual . . . shall, solely by reason of his handicap, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance."

Pick up the last three words. Under an interpreta-

tion by the Attorney General, federal financial assistance means any grant, loan, contract (other than a procurement contract or a contract of insurance or guaranty) or other arrangement by which a federal agency makes available assistance in the form of funds, property, or services of federal personnel. The HEW regulations issued on April 28 apply, of course, only to such assistance through HEW, but the limitation has little meaning. As Secretary Califano said, his rules "will be the basis for other similar regulations that will be issued by all other federal departments and agencies and that will affect all recipients of federal funds."

The Section 504 regulations, quoting Mr. Califano, became a part of the "supreme law of the land" as of June 1, 1977. They have an entirely laudable purpose. The idea is "to open a new world of equal opportunity for more than 35 million handicapped Americans—the blind, the deaf, persons confined to wheelchairs, the mentally ill or retarded, and those with other handicaps." Among the other handicaps specifically included in the Section 504 regulations are alcoholism and drug addiction.

THE NEW regulations, Mr. Califano added, "will work fundamental changes in many facets of American life." In many cases, they will call for dramatic changes in the attitudes and actions of institutions and individuals who receive federal funds or assistance. The rules will open "a new era of civil rights in America."

For such recipients, by way of example, the regulations will have this impact:

- All new facilities must be readily accessible to and usable by handicapped individuals.
- Programs or activities in existing facilities must be made accessible to the handicapped within 60 days, and if no alternatives such as home visits or reassignment of classes will achieve program accessibility, structural changes in the facilities must be made within three years. "No exceptions to the program accessibility requirement will be allowed."

These are among the guidelines for affected employers:

"Employers may not refuse to hire handicapped persons if reasonable accommodations can be made by them to an individual's handicap and if the handicap does not impair the ability of the applicant or employer to do the specific job."

The regulations define handicapped persons in three ways. Most broadly, the definition takes in "any person who has a physical or mental impairment that

substantially limits one or more major life activities." Such impairments include "orthopedic, visual, speech, and hearing impairments; cerebral palsy, epilepsy, muscular dystrophy, multiple sclerosis, cancer, heart disease, diabetes, mental retardation, emotional illness, drug addiction, and alcoholism."

In a second group are persons who have "a record of physical or mental impairment," including those with histories of mental or emotional illness. The third group embraces persons who are "regarded as" having a physical or mental impairment, "such as persons with a limp and persons with disfiguring scars."

THE OFFICIAL analysis of the regulations, issued by HEW in April, has this to say to affected employers:

"The Secretary has concluded that a general prohibition of preemployment inquiries is appropriate. However, an employer may inquire into an applicant's ability to perform job-related tasks but may not ask if the person has a handicap. For example, an employer may not ask on an employment form if an applicant is visually impaired but may ask if the person has a current driver's license."

In every applicable instance, public institutions and private employers must begin immediately to make "reasonable accommodation" for handicapped persons. Except where undue hardships can be clearly proven, no waivers or exemptions will be granted. By way of example, "reasonable accommodation includes modification of work schedules, including part-time employment, and job restructuring." In addition, the term may include "physical modifications or relocation of particular offices or jobs."

The regulations, it is emphasized, do not demand the unreasonable. "Thus, a small day-care center might not be required to expend more than a nominal sum, such as that necessary to equip a telephone for use by a secretary with impaired hearing, but a large school district might be required to make available a teacher's aide to a blind applicant for a teaching job."

Manifestly, HEW's rules will have the most immediate impact upon such public institutions as public schools, libraries, hospitals, nursing homes, day-care facilities, and institutions of higher learning that receive federal assistance. Handicapped children, who earlier might have been relegated to segregated institutions or ignored altogether, will be brought into the mainstream of ordinary life. Under the regulations, "every handicapped child will be entitled to a free public education, appropriate to his or her individual need, regardless of the nature or severity of the handicap." Such children cannot be segregated in public schools; they must be educated "with the nonhandicapped in regular classrooms to the maximum extent possible."

AS SECRETARY Califano acknowledged, so extensive a requirement cannot be implemented overnight. "Admitting a deaf child to a class, for example, is a meaningless gesture unless an interpreter is also avail-

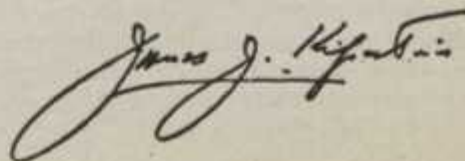
able to communicate the teacher's words." For a time, the supply of specially trained teachers and interpreters may be insufficient to meet the demand. Nevertheless, a good-faith effort at compliance is required. Failure to comply may result in a cutoff of federal funds.


In colleges and universities, especially the older institutions, the Section 504 regulations will demand compassionate, imaginative, and perplexing endeavors. "A university does not have to make all of its existing classroom buildings accessible to handicapped students if some of its buildings are already accessible and if it is possible to reschedule or relocate enough classes so as to offer all required courses and a reasonable selection of elective courses in accessible facilities. If sufficient relocation of classes is not possible using existing facilities, enough alterations to ensure program accessibility are required. A university may not exclude a handicapped student from a specifically requested course offering because it is not offered in an accessible location, but [the university] need not make every section of that course accessible."

The foregoing quotations, taken directly from HEW's press briefing of April 28, provide a fair sampling of the new requirements. It perhaps goes without saying that the rules also require affected institutions and employers to "keep such records and submit such timely, complete, and accurate compliance reports" as may be required, including "racial and ethnic data showing the extent to which minority groups are beneficiaries." Plainly, Section 504—the section that was adopted "without legislative hearings and with virtually no floor debate in either house"—eventually will have precisely the dramatic impact Mr. Califano envisions.

LET ME return to the point of beginning. My purpose here is not to be editorial, but to be reportorial. Beyond question, countless handicapped persons have suffered cruel and heartless discrimination in the past. While many employers have gone out of their way to afford the handicapped a fair chance, other employers have thoughtlessly excluded the deaf, the crippled, and the disfigured from jobs they were entirely capable of performing. Now such discrimination becomes unlawful.

With goodwill all around, with careful architectural planning, and with substantial appropriations of public funds, the Section 504 requirements can be met in time. But as HEW's sweeping regulations are extended, it is imperative that public officials and private employers become familiar with these rules. We will be hearing about them, and coping with them, for a long time to come.





Honor America Day

This 4th of July marks America's
201st birthday.

The day has been set aside for the
purpose of helping to create a greater
spirit of unity among all American
citizens.

A day to rededicate ourselves to our
love of liberty.

We at the National Chamber did
some hard thinking recently about our
own mission, our own dedication.

This is our goal for action:
"To advance human progress through
an economic, political, and social
system based on individual freedom,
incentive, initiative, opportunity, and
responsibility."

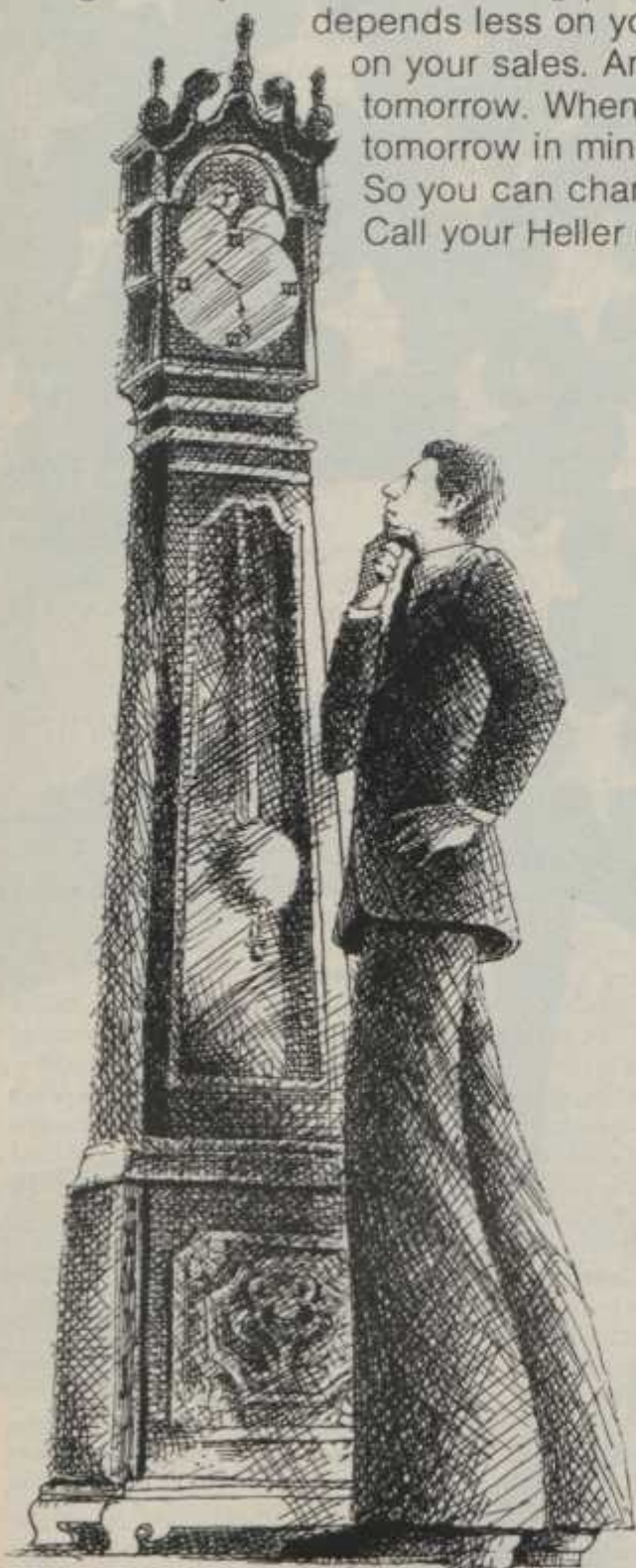
That, we think, is what the 4th of July
was all about 201 years ago, and what
it is all about today.

Dr. Richard L. Leshner
President

Chamber of Commerce of the United States

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Is Taxation the Way to Conserve Energy?

HEATED debate has erupted in Congress over President Carter's energy tax proposals.

The President believes that consumer demand for energy can be dampened by increasing prices via the government's taxing power.

His national energy plan calls for graduated taxes on automobiles that do not meet federal standards on miles per gallon; a standby tax on gasoline that would be imposed if voluntary conservation measures fail; and a stiff new tax on domestic crude oil that is now under a price ceiling.

In presenting his energy plan, Mr. Carter told Congress that he generally favors voluntary conservation and financial incentives as the best ways to lower energy demand.

He added, however, that "in a few cases, penalties and restrictions to reduce waste are essential."

At the same time, Mr. Carter said,

money collected from the new taxes would be put to good use.

Revenues collected from the levy on cars that do not get good mileage, he explained, would be used to give rebates to purchasers of vehicles that meet mileage standards. If the standby gasoline tax were imposed, he said, the money should be returned to "the consumers and workers of America."

The tax proposals have run into a storm of opposition in Congress, as reflected in a series of setbacks that some aspects of the Carter plan have received in the House Ways and Means Committee.

Opponents have argued that Mr. Carter's taxes not only would fail to achieve their stated goals of diminishing energy demand, but would sharply increase the cost of living for millions of Americans already plagued by inflation.

While the administration argues that price increases in the form of taxes would have a significant effect by deterring fuel consumption, critics say that the tax approach would not work.

Affluent Americans would continue to buy cars of the size they want and the gasoline to run them with little regard for cost, the critics say, while lower-income families would cut back in other areas to find the money to purchase the fuel they need.

While agreeing about the severity of America's energy problems, many believe that national energy policy should concentrate more on incentives to stimulate exploration and research aimed at increasing the supply, rather than on punitive taxes to decrease the demand.

Is higher taxation the way to conserve energy?

What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor
Nation's Business
1615 H Street N. W.
Washington, D. C. 20062

Is higher taxation the way to conserve energy?

☐ Yes ☐ No

Comments: _____

Name and title _____

(PLEASE PRINT)

Company _____

Street address _____

City _____ State _____ Zip _____

If the Armed Forces Were Unionized

PICTURE an army platoon leaving the front line in the heat of battle because it is five o'clock—quitting time. Imagine a five-star general being called before a grievance committee consisting of privates. Think of a strike being called in the middle of a war and thousands of military personnel forsaking active duty to march in picket lines.

Or picture this scene, envisioned by Peter D. Summer, president of National Synthetic Lubricants, Inc., Montgomery, Ala.

"Shall we take that hill today?"

"No, let's vote on it first. We need to have a full discussion about it in accordance with Rule 2, Section 348."

"Right. Besides, we need an election to replace our officers. I believe Sgt. Jones would make a better colonel than the one we have now."

Almost unanimous

Mr. Summer and many other NATION'S BUSINESS readers hypothesize such scenes in responding to May's "Sound Off to the Editor" question, "Should unionization be allowed in our armed forces?" The question got a virtually unanimous response; more than 99 of every 100 ballots are checked No.

"Great shades of Aldous Huxley!" cries William J. Roy, assistant vice president of operations, Alabama Dry Dock & Shipbuilding Co., Mobile. "Can you see the shop steward telling the field commander that a charge up the hill will be a little too dangerous under OSHA regulations?"

The American Federation of Government Employees is polling its lo-

cals to see how they feel about an organizing drive in the services, and there is talk in other quarters of military unionization. However, legislation has been introduced in Congress to prohibit such unionization.

Responses abound from those who feel the military could not function if the armed forces were unionized. For example, Charles H. Eager, manager of H. M. Draper & Sons Planing Mill, Salt Lake City, says: "A fighting force operates on discipline. The ability to obtain immediate and unquestioned compliance with an order is absolutely necessary, especially in a combat or emergency situation."

A loss of rights

Joseph A. Burgard, president of Valmont Corp., Grass Valley, Calif., says: "The military is not a private business with normal employer-employee relationships. Members give up their individual rights at swearing-in time. The volunteer system doesn't change the military purpose. If you volunteer, you accept the loss of individual rights in favor of the country's purpose."

Norman Kramer, president of General Meat Corp., New York City, comments: "The argument that unionization would attract a better recruit is specious; money would be the attraction, not patriotism."

Others counter the argument that unions would give armed services personnel more rights than they now have. "Through the inspector general, all military personnel have adequate means of presenting grievances concerning working conditions, treatment by supervisors, and a wide

range of real and fancied complaints," says Daniel C. Perry, safety and personnel director of Reeves Southeastern Corp., Tampa.

Richard W. Eineke, financial manager for The Anaconda Co.'s Brass Division, in Kenosha, Wis., states: "Unions not only lead to higher costs, they lead to decreases in productivity." Mr. Eineke adds: "Rather than thinking that unions give people more self-respect and motivation, I believe exactly the opposite to be true."

On the other side

Among the handful of respondents who do not oppose unionization in the armed forces is Frank J. Deutschman, director of purchasing for Peerless Chain Co., Winona, Minn. "While I am disappointed with the abusive and biased attitudes of some of our country's more powerful union leaders, the citizen's inalienable right to organize remains a constitutional right for all," he says. Mr. Deutschman would not be opposed to military unions operating in peacetime, but says that in wartime, or under emergency conditions, "union privileges should be deferred in favor of military authority under presidential and congressional command."

Finally, this thought-provoking comment from Jay Upton, chief pilot for Geist-Wurzelow Flying Service, Houma, La. He checks the Yes box and comments: "On one condition—that the Russians do the same. Perhaps the shop stewards can manage what our politicians can't: Keep us out of war. Both sides could agree that the war had no socially redeeming values and go on strike." □

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New Union Drive for One-Sided Labor Law

WHEN THE AFL-CIO doubled the size of its Washington headquarters four years ago, labor leaders hailed the expansion as evidence of the continuing growth and vitality of the labor movement.

Behind the scenes, however, those same leaders were painfully aware that organized labor faced serious problems in dealing with vast changes in the makeup and attitudes of the national work force.

Those problems continue. Consider these developments:

- The percentage of workers who belong to labor unions continues to fall off drastically.

While 35.5 percent of all workers in nonagricultural jobs were members of labor unions in 1945, only 25 percent are members today. That is a drop of 40 percent.

- Total union membership has remained relatively static in recent years while the labor force has been expanding rapidly.

The labor force increase is due partly to the post-World War II baby boom as well as to the growing number of working wives.

- Union organizers are now losing more often than they win.

Workers voted against union representation in 52 percent of the elections conducted by the National Labor Relations Board in 1975 and 1976. Those were the only years in which organized labor lost more elections than it won since the election machinery was set up in 1935.

- During the ten years ending in 1976, the number of elections to withdraw recognition of a labor union increased from 234 in 1967 to 612 in 1976.

Elections to withdraw from a union can be initiated only by employees. At least 30 percent of employees involved must petition for an election.



- The states now leading the country in industrial growth, particularly those in the South and Southwest, are also the states in which organized labor has fared worst in recruiting and in gaining bargaining rights.

- Government employees at the local, state, and national levels are now the main source of increase in union membership.

Their numbers more than compensate for a continuing decline in membership in the private sector. But the concept of public workers bargaining, and even striking, for higher pay

and benefits is meeting stiffer resistance from taxpayers.

Why they don't join

Sociologists attribute increasing disinterest in labor unions to the fact that today's workers are younger, more mobile, and less concerned about security than their parents, whose attitudes were shaped by the Depression of the 1930's.

Dr. Woodruff Imberman, of Imberman and DeForest, a Chicago management consulting firm, also points to the increase in the number of union decertification elections. He

As more and more workers show distaste for union membership, labor leaders seek legislation that would broaden government intervention on behalf of union organizers and negotiators



says this may reflect "a growing distaste for union financial scandals, a growing distaste for any connection with organized crime, which has been characteristic of some unions, and a more liberal attitude by many employers toward their employees, thereby diminishing the necessity for collective bargaining."

Labor leaders, however, have different explanations, which are often couched in the rhetoric of the 1930's.

The AFL-CIO's President George Meany, for example, asserts that workers seeking to organize "face the

law of the jungle and the power of professional union-busters and strike-breakers. . . ."

What big labor wants

Operating from such an assumption, organized labor believes the answers to its difficulties are in legislation which calls for massive government intervention on behalf of union organizers and negotiators.

Under Mr. Meany's direction, the AFL-CIO has launched an intensive campaign to win congressional approval of a sweeping revision of the National Labor Relations Act.

The changes would have a major impact not only on employers whose workers are targeted by union organizers, but on employers who already negotiate with bargaining units.

Stacking the deck

Legislation that the AFL-CIO is pressing for would:

- Enable union organizers to bypass secret-ballot elections to determine whether workers in a given plant want a union.

Under the AFL-CIO plan, a union would be recognized as bargaining agent if 55 percent of the workers signed authorization cards. Employers now have the right to insist on a secret-ballot election.

- Require that representation elections, when held, be conducted within 45 days of the filing of a union petition.

This deadline would prevail even if the employer challenges which workers the proposed bargaining unit should cover or which workers are eligible to vote in the election.

- Impose tough, punitive actions against employers who have been cited for unfair labor practices.

The penalties could include a declaration of ineligibility for federal contracts and triple damages to workers found to have been discriminated against for union activity. Businessmen say that remedial action on specific problems, rather than punishment, is the proper answer.

- Enable the National Labor Relations Board to impose contract terms when the board finds either side has refused to bargain, a charge usually made against management.

Labor sees that power as a major weapon against employers. Business spokesmen see big trouble in giving the federal agency power to impose

specific contract terms on employers.

- Grant to the NLRB administrative law judges power to make final rulings on allegations of unfair labor practices, charges which are generally brought against employers.

At present, an employer found guilty by an administrative judge has the right of appeal to the full labor relations board. Under the AFL-CIO proposal, the board would hear only those cases it chose to hear, denying a principal avenue of appeal to parties dissatisfied with a judge's ruling.

Virtually all the proposals are aimed at resolving specific problems unions have had in organizing and negotiating attempts, particularly in the South.

Business views

Some business leaders, on the other hand, believe that existing labor laws have gone too far in protecting and enhancing union organizational efforts. Any efforts at genuine reform, they say, should be concerned with the rights of individual workers and with providing more equitable treatment for employers.

Those leaders say that, in any move to change the existing National Labor Relations Act, consideration should be given to such reforms as:

- Secret-ballot voting not only to determine whether workers want a union, but to decide whether to strike or to continue a strike.
- A prohibition against union-



AFL-CIO President George Meany is directing a campaign to win changes in labor law that would help reverse declines in union strength.

levied fines on workers deemed to have acted contrary to union interests.

- Confining labor disputes to the parties involved and protecting neutral third parties from economic hardship.

- Free-speech guarantees to allow employers to communicate with employees on the issue of joining a union.

- A ban on picketing to force an employer to recognize a union.

- Requiring a union to prove that a majority of the workers it purports to represent still want that union as its bargaining agent.

- A ban on compulsory merger of bargaining units, such as an NLRB order to bring several plants or operations into a single bargaining unit.

- Allowing labor contracts to run at least five years instead of three, the present maximum.

- Requiring unions to bargain with established groups of employers, denying them the right, with NLRB sanction, to force individual employers to bargain separately.

- Removing unfair labor practice cases from NLRB jurisdiction, referring them instead to U. S. district courts or to a labor court established to hear such cases.

Up to Congress

Separate bills embodying the labor goals, the management goals, and various alternatives in between have been drafted by congressional committees. Details, however, are still to be worked out.

Business leaders have been mobilizing on behalf of their own labor law amendments and in opposition to the AFL-CIO drive.

John J. O'Connell, a vice president of Bethlehem Steel Corp., alerted employers at a recent Washington strategy meeting on labor law reform.

Rep. Frank Thompson (D.-N. J.), chairman of the House subcommittee on labor-management relations, is sponsoring H. R. 77, which follows the AFL-CIO line on amending the National Labor Relations Act.

96th CONGRESS
1st Session

H. R. 77

IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 1977

Mr. Thompson introduced the following bill, which was referred to the Committee on Education and Labor

A BILL

To amend the National Labor Relations Act to strengthen the remedies and expedite the procedures under such Act.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SHORT TITLE

4 SECTION 1. This Act may be cited as the "Labor
5 Reform Act of 1977".



"We must recognize the gravity," he said, "of what faces us this year."

Organized labor did suffer a major defeat, he said, when Congress refused to legalize common situs picketing. However, he added: "The AFL-CIO has amassed a tremendous war chest, is working now, and is working diligently, for its own labor reform amendments."

Rep. John N. Erlenborn (R-Ill.), a senior member of the House committee that will consider amendments to the labor act, told the same audience that big labor's plans "are dangerous because they are not easily understood by the public."

He also cautioned his listeners not to assume that defeat of the construction site picketing bill proves labor has lost its clout on Capitol Hill.

"There may now be a natural tendency for many members of Congress to vote in favor of organized labor the next time," he said, "to offset their antilabor votes on the construction bill."

"Let your senators and representatives know that you do understand what is at stake here," he advised the business leaders, "and that their constituents understand what is at stake."

The successful outcome of the construction picketing issue, Rep. Erlenborn added, "showed that we can win these battles when we unite, when we articulate the real issues involved, and when we demonstrate to the public what is involved."

Most important, he warned, is a posture of "eternal vigilance." □

the obvious need to expand oil and gas production."

If all these proposals were enacted into law, Mr. Swearingen added, the nation would be paying \$60 billion more a year in energy taxes by 1987, while saving the energy equivalent of only a million barrels of oil per day.

The House Ways and Means Committee, taking up the tax aspects of President Carter's plan, heard Dr. Richard L. Leshner, president of the Chamber of Commerce of the United States, testify:

"We do not favor the use of the tax system as a major mechanism to attempt to solve the energy crisis. . . . We advocate allowing the market mechanism to encourage the proper use of our energy resources rather than relying on the tax mechanism."

Debate over the monumental energy legislation will be prolonged. The House has incorporated all the presidential suggestions in a single bill that is 285 pages long. The Senate has divided the White House plan into tax and nontax legislation.

House leaders want to complete action on the bill before Congress adjourns for the August recess. Many key House members think that deadline is far too optimistic, however, given the complexity of the issue. Senate leaders say they doubt that action on the energy package can be completed before the end of this year. □

Minimum Wage Hike Still a Threat

Action to raise the minimum wage remains stalled by a dispute between the White House and the AFL-CIO over both the amount now and an escalator clause to provide for future increases.

Organized labor wants an immediate increase in the minimum wage to \$3 an hour. Labor leaders would settle, however, for the \$2.85 an hour sought by Rep. John H. Dent (D-Pa.), chairman of the House labor standards subcommittee. Rep. Dent's bill, which labor supports, would raise the pay floor whenever necessary to keep it equal to 60 percent of the average wage in manufacturing.

The White House wants to increase the minimum wage to \$2.50 an hour immediately and to keep it in the future at 50 percent of the average wage in manufacturing.

While action has been temporarily halted on the minimum wage bill, the manufacturing wage to which it is pegged continues to rise. Thus, the potential impact of the bill on employers becomes more grave.

Under the Dent bill, the minimum wage would be automatically set each Jan. 1 at 60 percent of the average hourly factory wage for the 12 months ending the previous Sept. 30. That wage was \$5.28 an hour last October, the first month of the base period, and stood at \$5.52 in April.

If present trends continue, the minimum wage would go to about \$3.30 an hour next Jan. 1 under the Dent bill or to \$2.75 under the White House formula. That would not be true, of course, if efforts are successful in defeating what employers view as a source of more inflation and more unemployment. □

Washington Major Invader of Privacy

The Privacy Protection Study Commission, created by Congress to seek ways to protect the privacy of individual citizens, finds that the federal government is a major offender.

The Internal Revenue Service was named as a principal violator of the public's privacy by improperly releasing information to outside organizations.

IRS, along with several other government agencies, has access to data banks the government keeps on individuals, the commission says.

The group urged Congress to strip the executive branch agencies of their blanket authority to swap information about individuals with each other and to lay down rules under which such release would be proper. □

Business Cites Flaws in Energy Plan

Business opposition to some of the key aspects of President Carter's energy proposals is continuing to intensify.

David H. Foster, executive vice president of the Natural Gas Supply Committee, a producer group, recently told the House energy subcommittee what the natural gas sections of the Carter plan would mean. The proposals, he said, amount to "a composite of disincentives for new production which go far beyond

those existing today under Federal Power Commission controls. . . . The President had envisaged a gradual movement toward decontrol of well-head prices, but instead we find a crystallization of policy in permanent and total federal domination of the pricing mechanism."

John E. Swearingen, chairman of Standard Oil Company (Indiana), told his company's annual meeting that the administration's energy program "utterly fails to recognize

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How Businessmen Size Up the Next Six Months

A Nation's Business survey shows widespread optimism about the economy, and the performance of individual companies. At the same time, business leaders are pessimistic about inflation

"THE ECONOMY looks very solid for the remaining months of 1977. The recovery appears sound, and overall activity is good."

This estimate of the nation's economy comes from Frederick R. Hinckley, chairman of The American Paper and Supply Co., Salt Lake City. His view is markedly similar to many others received from businessmen in the latest NATION'S BUSINESS outlook survey.

Along with expressing resentment against government interference in private business, 79 percent of those responding to the survey say the economy will be good, or continue to improve, through the last half of the year.

Thirteen percent say the economy will remain about the same while only eight percent say they expect the economy to slow down.

Answers to another question show businessmen to be as optimistic about their own outlook as they are about the overall economy. The question: "What is the trend of your own

sales, orders, and profits this year?" Seventy-four percent of respondents answer "Up," 12 percent say the trend will hold steady, and 14 percent say they expect a downward trend.

Businessmen were asked to compare their inventory-to-sales ratio with that of a year ago. Twenty-seven percent say inventory is up, 51 percent say about the same, and 22 percent say down.

On the subject of inflation, businessmen are pessimistic. Only five percent believe that our inflation rate will be falling by the end of this year. Eighty-six percent expect the rate to be rising. Nine percent believe the rate will hold steady.

Pay and productivity

Here are some other questions asked in the survey and the responses they drew:

What is happening percentagewise at your company as regards pay, productivity, and number of workers?

Eighty-eight percent say their pay

Views From

ATLANTA



W. Lee Burge, chairman, Equifax, Inc., Atlanta, says his firm's sales are up despite last winter's damaging weather. Profits are good, but rising inflation later this year could have moderating effects. He feels prospects for the overall economy are very good for rest of year.

MINNEAPOLIS



A. Byron Reed, president and chief executive officer, Munsingwear, Inc., Minneapolis, says: "The economy is in a very iffy position. Inflation is on the verge of breaking loose again with the ill-defined administration programs. Consumers and business are still very cautious."

Across the Nation

WHITE PLAINS



W. Thomas York, president and chief operating officer, AMF, Inc., White Plains, N. Y., sees the economy as "good but not great," but says it appears to be accelerating faster than most analysts forecast. He sees signs that the "rate of improvement will hold."

SALT LAKE CITY



George S. Eccles, chairman and chief executive officer, First Security Corp., Salt Lake City, says: "Withdrawal of the \$50 rebate by the President and a much better outlook for the overall budget is reflected in consumer attitudes." That is good for banking, he says.

WOOSTER



Donald E. Noble, chairman and chief executive officer, Rubbermaid, Inc., Wooster, Ohio, says: "Deficit spending at a time when the economic recovery is assured adds fuel to the fire of inflation. . . . Make-work jobs will make it harder for the private sector to hire people."

DALLAS



Russell H. Perry, chairman, Republic Financial Services, Inc., Dallas, expects an improving economy, but fears that some administration actions may increase inflation. "The solution to the energy problem is going to overhang our entire economy for many months," he adds.

scales are up, and 12 percent report no change. None say pay is down.

Fifty-five percent say productivity is up, 34 percent say it is the same, and 11 percent say it is down.

Forty-seven percent report increased employment, 38 percent, about the same. Only 15 percent say employment is down.

Capital spending

What is the outlook at your company for capital investments next year?

Fifty-eight percent say their capital investments will increase, 13 percent say decrease, and 29 percent say the same as last year.

The question: "What is the administration doing in the economic field that helps or hurts your business?" drew a wide variety of answers.

Administration actions that are listed as helpful include:

- Efforts to retard inflation.
- Proposed increases in investment tax credits.

- Energy policy over the long run.

Leading the list of administration actions cited as hurting business is the President's energy plan, which is heavily criticized. Other actions mentioned most often include:

- Tax revision proposals.
- Modifications in the Domestic International Sales Corp. (DISC) program that hurt exports.
- Excessive government regulation.
- Too many cumbersome and costly government programs.
- Delay in releasing money for construction projects.

Asked "What do you consider the most encouraging aspect of the economy?" businessmen give a variety of answers. The answers given most often include:

- The rate of economic improvement.
- Strong consumer spending.
- Averting even higher inflation.
- Reduction in unemployment.
- Surge in automobile and home buying.
- Corporate liquidity.
- Availability of money.

Here are some individual opinions on the economic outlook:

NEWPORT NEWS



Lloyd U. Noland, Jr., chairman, Noland Co., Newport News, Va., is encouraged by the "rise of consumer purchasing, increasing construction activity, and further expansion of industrial production." He sees an expanding economy and will increase his company's capital investments.

JACKSONVILLE



Earl N. Hoskenga, chairman and president, Ryder Truck Lines, Inc., Jacksonville, Fla., criticizes the administration for doing little to control inflation or curtail government expenditures. He sees the economy "going at a very good pace the remainder of the year."

Julia M. Walsh, vice chairman of Ferris & Co., Inc., Washington, D. C., is optimistic about the economy. She says: "The numbers look good, and the conservative approach by business and investors reduces the risk of speculation."

More construction

Loren D. Barre, president and chief executive officer of RTE Corp., Waukesha, Wis., bases his company's belief that the economy will continue to expand on several factors. Among them:

Residential construction, estimated at 1.8 million to two million starts annually, will continue strong for 12 months.

Expenditures for capital goods are expanding.

Levels of employment are high.

Automobile and other consumer durable sales continue at high levels, reflecting the strength of consumer confidence and overall excellent retail sales.

Samuel S. Greeley, chairman of Masonite Corp., Chicago, expects business activity to increase gradually "from an already good level."

Robert W. Weeks, vice president and general counsel of Deere & Co., Moline, Ill., says that the economy is generally good and that "fundamental factors underlying the current expansion appear to be sound."

John H. Perkins, president of Continental Illinois National Bank and Trust Co. of Chicago, looks for "a moderate pace of advance with the real GNP averaging about five and a half to six percent through the end of the year."

A. D. Schmidt, president of Northwestern Public Service Co., Huron, S. D., says: "The economy should remain relatively stable and could be moderately better. One cloud is the labor situation and what happens if there are prolonged strikes in coal mining, etc."

Sees faster finish

Frank J. Laurino, general manager of FTD Manufacturing Corp., Lindenhurst, N. Y., believes the economy will improve at a faster rate than it did during the first 100 days of the Carter administration.

Robert J. Prata, treasurer of Keene Corp., New York, says: "I believe the economy will progress at the rate of five to six percent [adjusted for inflation] assuming there are no significant strikes or wage set-

tlements that are unusually big."

Beryl W. Sprinkel, executive vice president and economist of The Harris Bank, Chicago, says: "Activity will be strong. Real output up four and a half to five percent, but inflation running in the five and a half to six percent range. Unemployment will be below seven percent by year-end."

Energy and enterprise

Leigh FitzGerald, financial vice president of the New England Electric System, Westborough, Mass., complains that the Carter administration has failed to resolve the conflict between energy needs and the desire to protect the environment, making planning by businesses difficult and costly.

Dr. Leon Rieberman, president of AEL Industries, Inc., Lansdale, Pa., says that "intermittent and unpredictable delays in providing export licenses for military equipment have been harmful and costly to us."

Dudley A. Ward, vice chairman and chief financial officer of The Budd Co., Troy, Mich., believes "tax revision should be pointed more at production and capital formation and less at consumption."

Defeat of common situs

Stan Blakney, secretary-treasurer of Brown & Blakney, Inc., Ft. Worth, says defeat of the common situs picketing bill was a "big help. Energy program is hurting us; diesel, gasoline, oil, and asphalt prices [are] going up constantly."

Benjamin R. Fisher, chairman of Fisher Scientific Co., Pittsburgh, states that the administration's "uncertain stands on certain key issues, such as taxation, undermine the confidence of the financial community and are one reason why the stock market is so weak."

W. M. Dillon, president of Northwestern Steel and Wire Co., Sterling, Ill., comments: "They [administration leaders] are still dreaming up new regulations and most likely will need all of the unemployed to man the agencies they set up."

Inflation worries

On inflation, businessmen express concern.

John S. Lalley, chairman and chief executive officer of Peterson, Howell & Heather, Inc., Hunt Valley, Md.: "I anticipate that the rate of inflation will rise throughout the year to six

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What Businessmen Dislike Most About Government Regulation

WASHINGTON'S interference in their affairs has beset businessmen for decades, during both Democratic and Republican administrations.

Just what does the federal government do that bothers businessmen the most?

In a recent survey, *NATION'S BUSINESS* made this request: There are numerous reports of excessive government interference with business. Please give examples affecting you.

ERISA, OSHA, and EPA

Here are some of the replies:

W. L. Wearly, chairman and chief executive officer of Ingersoll-Rand Co., Woodcliff Lake, N. J., lists four federal actions which bother him the most:

- Antiboycott legislation.
- ERISA—the Employee Retirement Income Security Act.
- Excessive activities of the environmental bureaucracy.
- Attempts to extend control of multinational corporations outside the country to the detriment of U. S. worldwide business opportunities.

Phillip H. Smith, chairman, president, and chief executive officer of Copperweld Corp., Pittsburgh, cites these two federal agencies that he finds most objectionable:

- OSHA (Occupational Safety and Health Administration)—"an arrogant and unnecessary interference. State groups did a better job."

- EPA (Environmental Protection Agency)—"Unrealistic and technically ignorant bureaucratic group that is costing the U. S. billions."

H. J. Runnion, Jr., executive vice president, financial management department, of Wachovia Bank & Trust Co., Winston-Salem, N. C., finds most objectionable:

- Unrealistic EEOC (Equal Employment Opportunity Commission) goals.
- Burdensome reporting.

- Overzealous action on environmental protection.

- Tampering with accounting and disclosure rules.

Ronald R. Findlay, president of Pioneer National Bank, Greenfield, Mass., has this to say:

"We are seeing continual demands for increased information from the Securities and Exchange Commission and from the Comptroller of the Currency. Today, on my desk, we have a new and enlarged SEC report—the quarterly Form 10-Q, which last year required two pages of information to complete. This year the Form 10-Q requires 12 pages. Also, from the Comptroller of the Currency we have a request (demand) for a new report which is purported to be 'a special survey form dealing with the relationship between banks and parent holding companies.' Much of the requested information, as with other regulatory requests, is presently available from regulatory agencies to which we are required to report."

Stretching their authority

Harker Collins, president and chief executive officer of Bandag, Inc., Muscatine, Iowa, says the "primary problem is in the area of legislation that has not properly considered all ramifications, coupled with overzealousness of administrators in stretching their authority under such legislation."

A. A. McCue, chairman of Minnesota-Wisconsin Truck Lines, Inc., St. Paul, Minn., says one problem bothering him is the "121 Brake Program of the National Highway Safety Department, with the backing of the DOT [Department of Transportation]. This imposed a very heavy cost on equipment and did not do anything else that we can see."

C. William Verity, Jr., chairman of Armco Steel Corp., Middletown, Ohio, says: "The present effort to 'jawbone' essential price increases without regard to market

demand or industry profit needs certainly qualifies as excessive interference."

Unrealistic restrictions

Richard L. Berry, vice president, corporate development, of Owens-Illinois, Inc., Toledo, Ohio, lists these typical, but not necessarily most troublesome, examples: "Continued regulation of natural gas and unrealistic environmental constraint on development of coal resources. Unrealistic restriction on permissible limits of nontoxic substances in water discharge."

Francis N. Southworth, chairman and president of Concord National Bank, Concord, N. H., cites: "Excessive reporting of the same details to many regulatory bodies, each requiring the same information, but in (and on) a different form. Regulations written in such structured prose that they cannot be understood by our customers or by ourselves."

Theodore F. Brophy, chairman and chief executive officer of General Telephone & Electronics Corp., Stamford, Conn., gives this example of needlessly restrictive regulation: "The domestic communications satellite system jointly operated by GTE and AT&T [American Telephone & Telegraph Co.] is capable of handling all types of communications traffic, including long-distance telephone calls, high-speed data, television programs, and various forms of graphic communications, but the Federal Communications Commission has limited the system's services during the first three years of operation to long-distance voice communications and various government communications services."

"We are not permitted to provide private line services and certain other services to commercial customers during this period. Needless to say, we are not happy with these restrictions."

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The advanced front suspension system of the 280SE derives from the famous



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The 280SE: Subtle dimensions in a 6-cylinder sedan.

C-111 high-speed research vehicle. It has many advantages: Extremely precise steering control with instant response, almost no tilting of the car in cornering and braking, straight-line control under heavy braking and rough road conditions, and better road-holding ability under all conditions.

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and a half percent at year-end because of wage pressures and higher food prices."

William J. Bailey, president and chief operating officer of Carrier Corp., Syracuse, N. Y.: "I am afraid that it [the inflation rate] will be rising because of Carter's avowed programs."

Paul Batcheller, chairman of ZIP Feed Mills, Inc., Sioux Falls, S. D.: "The inflation rate will probably continue to rise due to the government programs of trying to give the people who do not work about as much as the people who do work."

Labor pressures

Arthur C. Avril, president of Sakrete, Inc., Cincinnati: "The inflation rate will undoubtedly rise because labor is again making its usual unreasonable demands. I would like to know when they [union members] are going to wake up to the fact that, when everybody gets a raise, the only answer is that our money has been devalued."

G. Morris Dorrance, Jr., chairman and chief executive officer of Philadelphia National Corp., Philadelphia: "An upward trend in the basic

inflation rate is to be expected since productivity gains will slow as the recovery matures and pressures for wage increases will continue."

William A. Stroud, president, The First-Knox National Bank, Mount Vernon, Ohio, blames government spending programs and "more dollars chasing limited inventories" for the higher inflation he foresees.

William A. Kerr, chairman and president of Kerr Glass Manufacturing Corp., Los Angeles, looks for rising inflation because there is "no hint of cautioning, curtailing, or restraining labor on [wage] increases and adding to the federal debt."

Four executives of large corporations are optimistic regarding the inflation fight.

John R. Opel, president of IBM Corp., Armonk, N. Y., says: "Compared to the last few months, the inflation rate will be declining somewhat—to about six and a half percent annually by year-end—reflecting the absence of severe weather effect on food and fuel prices."

William S. Sneath, chairman of Union Carbide Corp., New York, says: "By the end of the year the inflation rate should be decelerating,

with wholesale price increases exhibiting the most marked slowdown. Food price increases should be slowing by midsummer, productivity growth should limit cost increases for finished goods, and raw materials price increases should decelerate as the inventory buildup is completed."

Moderate commodity rises

Dr. J. G. Affleck, chairman of American Cyanamid Co., Wayne, N. J., says: "The inflation rate may rise a bit from the five percent recorded at the beginning of 1977, but should be well below the ten percent rate experienced in February as the effects of the cold spell boosted food prices. The advance in industrial commodity prices was comparatively moderate, and it should continue at a moderate level for the remainder of the year."

W. F. Martin, chairman of Phillips Petroleum Co., Bartlesville, Okla., says: "The rate of inflation at the end of the year will not be as high as in the first quarter of the year, but it will be above the rate in the last quarter of 1976. The after-effects of the severe winter are a contributing factor." □



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A Pledge From Washington to Help Small Business

President Carter has given his marching orders to the new head of the Small Business Administration. In this interview, SBA Administrator Vernon Weaver explains what you can expect him to do

WILL SMALL BUSINESSMEN get a better shake from Uncle Sam now that one of their own is in the White House?

A. Vernon Weaver thinks so. A small businessman and former Annapolis classmate of President Carter, Mr. Weaver has just taken over as head of the U. S. Small Business Administration.

He says that, in a sense, Jimmy Carter owes the presidency to SBA, which came to Mr. Carter's help when he was trying to keep the struggling family peanut business afloat.

"If he hadn't made it in business through SBA management assistance, he would not have made it to become President of the United States," the SBA administrator says.

Father ran a business, too

Mr. Weaver, 54, has been a small businessman most of his adult life—in manufacturing, sales, investment banking, and insurance. At the time of his appointment to SBA, he was president of the Union Life Insurance Co., of Little Rock, Ark.

Vernon Weaver grew up knowing the pressures of running a small business. His father started one, the Southern Venetian Blind Co., in Miami, Fla., in the Depression year of 1933. Mr. Weaver worked for his father as a teenager.

"I learned at an early age that, to have a successful business, you must keep the overhead down and the pretenses out," he says. "You must watch the pencils and paper clips."

President Carter has given Mr. Weaver a clear set of marching orders: Bend every federal effort to meet the needs of small business.

Woes of small firms

The vast majority of the millions of small businesses in this country—which provide a livelihood for almost half the working population—get by without govern-

ment help. But Mr. Weaver has his work cut out for him.

- An average of more than 1,000 small firms a day go out of business each year. Of the 500,000 new ownerships which develop annually, half do not last more than two years. Only 25 percent survive as long as five years.

- Venture capital for small business has virtually dried up in recent years.

- Productivity in small business often makes a poor showing.

Opening more doors

On the one hand, Mr. Weaver wants to help struggling firms eliminate management deficiencies which Dun & Bradstreet says cause 90 percent of small business failures. He also wants to champion the cause of small business by opening more doors, not only in the federal government, but in state and local governments as well.

The lack of venture capital is far and away the major stumbling block in the way of small business success, according to Mr. Weaver.

"I think small business will lose its viability if this is allowed to continue for another ten years," he says.

"What small business needs in many, many cases is not a loan, but an investment. Because they are desperate, a lot of small businesses float loans they have no hope of paying back."

Increased private support

In his view, there is little to be said for lending money to a poorly managed business or an unqualified entrepreneur. He explains:

"Too often, this brings a borrower's lament that 'you lent me money to start a business, and now I've lost everything, including my home.'"

Mr. Weaver would rather see the problem of insufficient funds for small business solved by an increase of

support from the private sector than by an increase in direct government loans.

One way to accomplish this, he feels, is to encourage more private sources to pump funds into SBIC's—small business investment companies, which are capitalized by private investors but get some help from SBA in the form of loans or loan guarantees.

Eyeing insurance industry

Vernon Weaver has his eye on one group he knows well—the insurance industry. Only six SBIC's currently are owned all or in part by insurance companies.

"The insurance industry talks about its moral responsibilities to the community all the time," he says. "My argument would be that this is an opportunity to do something that is as important as anything should be to the insurance industry—help preserve the free enterprise system. The insurance industry could greatly increase the flow of capital to small business, because the insurance industry has so much money flowing."

Mr. Weaver is eager to lift some of the federal load from the small businessman's shoulders. He believes this can be done by drastically reducing government paperwork, simplifying tax procedures, and otherwise cutting red tape.

President Carter's planned reorganization of the federal government cannot help but bring about a more streamlined Small Business Administration, he says.

OSHA's "disastrous effect"

Vernon Weaver says he agrees with many of the complaints voiced by Billy Carter, the President's brother, about the difficulties a small businessman has in dealing with government. [See "Billy Carter: Frustrations of the Small Businessman," NATION'S BUSINESS, May, 1977.]

"Billy Carter is simply saying what a lot of small

businessmen are saying," Mr. Weaver notes. "We at SBA are receptive to their problems."

Mr. Weaver hails as a major step forward the recent Labor Department announcement that the Occupational Safety and Health Administration has been ordered to cease nitpicking small businesses with Mickey Mouse regulations.

"We have been very concerned about the disastrous effect OSHA's detailed regulations have had on the small business sector," Mr. Weaver says. "We feel this change in philosophy is an excellent beginning. It has been obvious to us that American small businesses want their employees to enjoy safe and healthful working conditions. What we have been objecting to has been some of the burdensome regulations and the manner in which they have been enforced."

Asks business help

The SBA administrator is as determined as his boss—the President—to get rid of unnecessary paperwork. Mr. Weaver has called on various businesses to help him figure out how this can be accomplished at SBA.

For example, he has asked the Chamber of Commerce of the United States to encourage its members to indicate which government forms can be eliminated, filed less frequently, or merged with other forms, and to channel that information to him.

Because of the nature of his agency's role, he says, some SBA paperwork requirements which may seem onerous are necessary. In an interview, NATION'S BUSINESS called to his attention a Tennessee businessman's complaint that SBA does not accept a certified public accountant's financial statement as most banks do, but requires that the CPA information be transferred to a complicated SBA form.

"You have to remember that SBA is a lender of last resort," Mr. Weaver explains. "By law, we do not lend money unless a bank refuses to do so. We are



"What small business needs in many, many cases is not a loan, but an investment."



"American small businesses want their employees to enjoy safe and healthful working conditions."

also required by law to establish the ability to pay off the loan. Therefore, we are more careful about forms being filled out properly than a bank is when it has a customer relationship that has lasted for many years. The bank doesn't have to investigate you as a businessman because it knows you as a businessman. We have to be a little more careful. The law says so."

The loss ratio on SBA loans runs between five and six percent. Is that as it should be? Mr. Weaver replies:

"I wish someone would tell me. I don't know that we should establish a ceiling. Congress has never done so. Presidents have never done so."

Opportunities in energy

Small businesses often are less able than big firms to cope with rising costs because they cannot pass these costs on to consumers without great risk.

SBA is giving that problem "a lot of attention," Mr. Weaver says. He notes that the rising costs of energy, in particular, "are severely affecting the small businessman."

He adds:

"We are looking at this from two points of view: What can we do to lighten the load on small business, and what can small business do to take advantage of the opportunities that the President's new energy program can provide?"

Small businessmen are ideally suited, he says, to play a big role in the great expansion in home insulation that will take place, to become involved in the practical use of solar energy, and to participate in the conversion of heating from natural gas and electricity to coal.

"We want to help keep small business on top of the energy crisis rather than being crushed under it," Mr. Weaver asserts.

In expressing hope that SBA can inject more management know-how into the operations of faltering

small businesses, Vernon Weaver says there is no better example of what this can mean than President Carter's experience with SBA management help.

How Carter was helped

"The President likes to recall that he came out of the Navy in 1953 without a job or a home and went to live in a government housing project, paying \$31 a month in rent while he worked to keep his farm business alive," Mr. Weaver recounts.

"The President went to SBA and not only got a loan, but also received constant advice and help from one of our management volunteers. He recalls that SBA 'would send a distinguished retired business person down to Plains to spend two or three days, at no cost to me, going through my warehouse business and giving me advice on how to handle my accounts receivable, how to keep my records, how to borrow money, how to market my products better.'"

Averting personal tragedy

Offering such help, Mr. Weaver notes, can avert personal tragedy. In a talk shortly after he took office, he said:

"The person who must close the doors on a small business venture suffers a loss of self-respect, as well as a means of family support, and may even be left with a financial obligation for the rest of his or her life.

"The mortality rate must be cut, and not by preventing less-qualified people from going into business—this cannot be done under our free enterprise arrangements—but rather by helping management improve its methods.

"Small business should be a game of skill, not a game of chance."

On the practical side, putting more small businesses on sound footing would free SBA from spending a disproportionate amount of time on servicing



"We want to help keep small business on top of the energy crisis rather than being crushed under it."



"Small business should be a game of skill, not a game of chance."

Small Business Award Winner: A Georgian Whose Firm Grew and Grew

It isn't every day that a former small businessman from Plains, Ga., can present an award to a small businessman from nearby Americus, Ga., in the most prestigious rose garden in the world.

It happened on May 24, when President Jimmy Carter announced that Larry Comer, president of Metalux Corp., a lighting fixtures manufacturer, was the National Small Business Person of the Year for 1977.

Mr. Comer, who was selected by the 100-member Small Business Advisory Council, says: "I hope the President wasn't embarrassed about a Plains boy winning—I was born there and grew up in Americus. Our families are old friends."

President Carter, in the White House Rose Garden ceremony, noted that the closest he had come to winning such an award was when he placed second among businessmen in the state of Georgia. He went on to say that he had hoped his brother Billy, who now runs the Carter peanut business, would win the award that Mr. Comer won. But, he said, he understands that Billy has become "one-tenth businessman and nine-tenths entertainer."

Mr. Comer obtained both financial and management assistance from the Small Business Administration for his firm, and President Carter did likewise for the Carter peanut business. The growth of Mr. Comer's firm has been more spectacular, however. He started Metalux in 1964 with a \$160,000 participatory loan—\$120,000 from SBA and \$40,000 from a bank. The Atlanta SBA office, as it had with the Carters, dispatched on request a retired executive to help the fledgling firm.



President Carter presents the Small Business Person of the Year award to Larry Comer. They are flanked by Mrs. Comer and SBA chief Weaver.

Mr. Comer says that "SBA, through financial and management help, made it all possible—and the agency stuck with us in adversity."

In 1968 the firm showed its first profit, and the bottom line has steadily improved. Today, with sales of \$25 million, Metalux is the fifth largest manufacturer of metal housing for commercial and industrial fluorescent and high-intensity discharge lighting systems in the nation. The firm's payroll has grown from three to 375.

This year Mr. Comer plans to take the free enterprise system message to as many Americans as possible. Also, he says, "I hope to be able to spread the word that SBA is there to help anyone who wants to take advantage of the opportunities under our economic system."

direct loans to keep a relative handful of clients going.

In fiscal 1976 SBA made 20,000 new loans, which means the agency spent 70 percent of its resources on about 0.15 percent of a small business population of approximately 13 million—ten million firms and three million farms which SBA considers in its jurisdiction.

"I don't intend to let servicing of loans dominate the agency," Mr. Weaver told NATION'S BUSINESS.

Loan insurance pondered

He says he agrees with President Carter that, whenever possible, the private sector should be used to achieve national goals.

Mr. Weaver is considering a proposal for a loan insurance program in which banks would take over the loan processing workload currently shouldered by SBA.

"Now," he explains, "when a bank decides that a loan asked for by a small business is too risky, the bank applies to us for a guarantee of up to 90 percent

of the loan. If the loan goes bad, the bank says to us: 'Here is your loan. Let us know if you collect any of our ten percent.' And we do so. Which means we spend a lot of time and effort liquidating these loans.

"Under the insured approach, we would make insurance available to banks similar to that offered by the Federal Deposit Insurance Corp., in amounts of 50 to 90 percent of the loans. If a loan went bad under the insured approach, the bank would liquidate the loan. We would pay the bank up to the amount of the insurance coverage."

A congressional committee says the approach sounds interesting and has asked SBA to come back with a blueprint.

But most of small businesses' problems come back to one thing—lack of adequate venture capital, Vernon Weaver says.

"If I could solve that one problem," he says, "I would consider it a monument to my service as head of SBA." □

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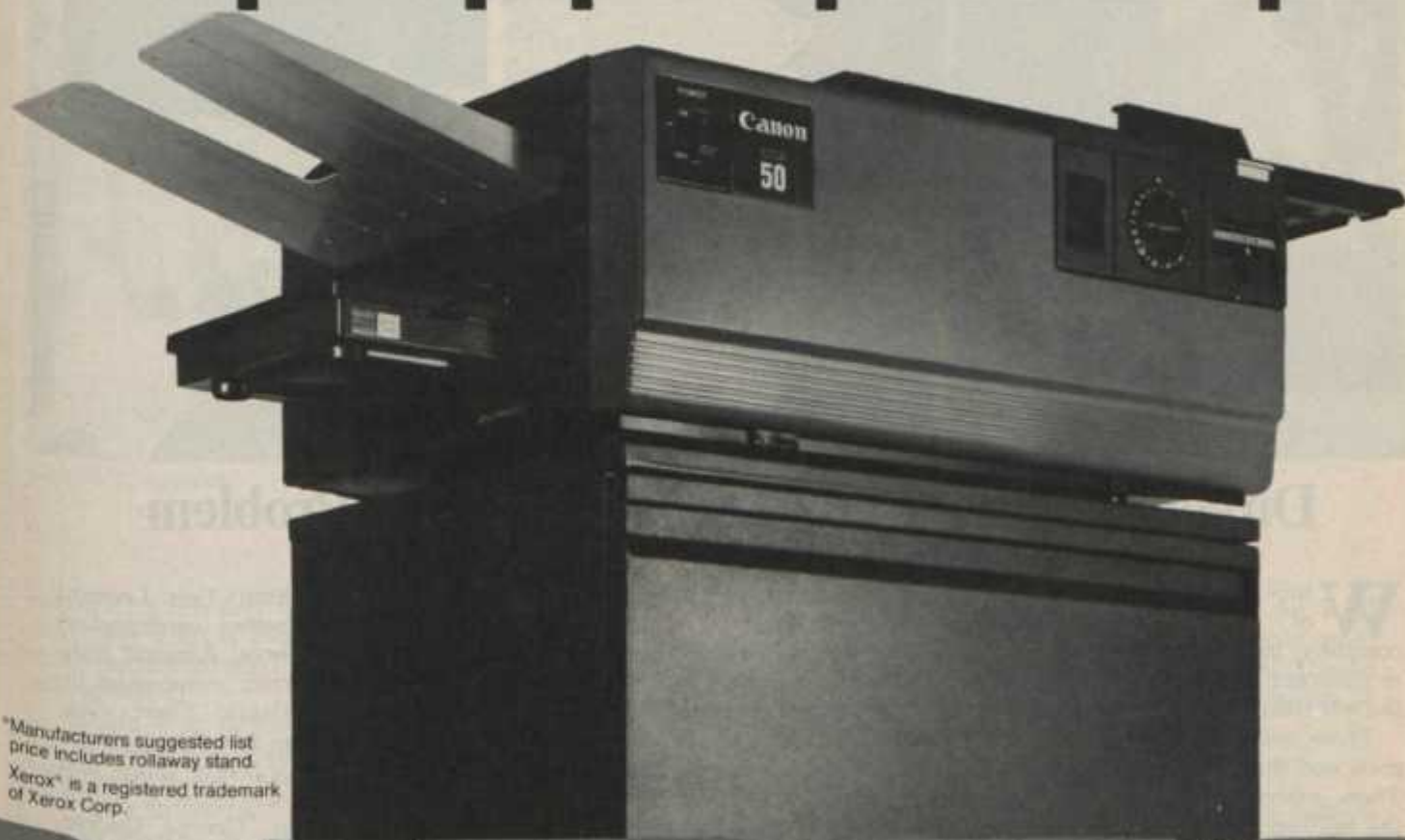
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Directors Who Get to the Heart of a Problem

WHEN THE board of directors of one Washington-based company meets, the atmosphere is reminiscent of a strategy session in the war room at the Pentagon.

There are seven top-ranking generals and three top-ranking admirals. These officers, all now retired from the military, sit on the board of the United Services Life Insurance Co., which sells life insurance exclusively to active, retired, and former military officers and their families.

Unmatched experience

"It is a tremendous inspiration to serve with such a distinguished group of people," says United Services President Leslie P. Schultz, who was a mere lieutenant in the Navy.

"Their collective experience is

probably unmatched in any group of comparable size."

The board includes Gen. William Westmoreland, once top commander in Vietnam; Gen. Maxwell Taylor, former chairman of the Joint Chiefs of Staff and a special consultant to President Johnson; and Admiral Arleigh Burke, who became known as "31-Knot Burke" for his exploits against the Japanese in World War II and later served as chief of naval operations.

Chairman of the board is Maj. Gen. George Olmsted, who organized the rescue mission which led to the release of Gen. Jonathan M. Wainwright, hero of Bataan, from a Japanese prisoner of war camp.

Among the other directors are Admiral Thomas Moorer, who, like Gen. Taylor, served as chairman of the

Joint Chiefs of Staff; Gen. Leonard Chapman, Jr., former commandant of the Marine Corps; Admiral Ephraim Holmes, former commander-in-chief of the Atlantic Fleet; Gen. Jack Catton, who has flown almost every type of Air Force plane and was at one time the nation's youngest general; Gen. George Decker, former Army chief of staff; and Gen. O. P. Weyland, whose 19th Tactical Air Command provided air support for Gen. George S. Patton in his sweep across France.

War was a severe test

United Services was organized in 1937 and issued its first policy two years later. Its insurance had a prime feature which no other company was then offering: Claims on persons killed in wartime service would be



Gen. Maxwell Taylor



Admiral Ephraim Holmes



Maj. Gen. George Olmsted



Gen. O. P. Weyland



Gen. Jack Catton



Gen. George Decker

honored. When that first policy was sold, the United States was only three years from total involvement in World War II.

"World War II was a severe test for us, but we were able to maintain our commitment," Mr. Schultz told NATION'S BUSINESS.

The wartime insurance protection remains intact after three wars. In the Vietnam conflict alone, United Services paid out \$13.5 million on some 1,100 death claims.

Today, by Defense Department edict, every insurance company operating on military property must offer policies with similar protection.

Pluses and minuses

Actually, the company has found from its experiences in World War II, Korea, and Vietnam that insuring

military officers serving in combat zones is not as much of a risk as it might seem. Military officers as a class are in excellent physical condition. This "turned out to be a counterbalancing factor" to wartime casualties, Mr. Schultz says, "so that, mathematically, the officers emerge as sound insurance risks."

War's tragedies are a matter of concern to the company even in peacetime. United Services has policies on 56 men still listed as missing in action in Vietnam. All premiums are held in a special escrow account. The company has voluntarily agreed to pay five percent interest on such premiums along with the benefits if the Defense Department ultimately decrees the men to be deceased.

The company has grown rapidly in recent years. It took 27 years to

reach the \$1 billion mark for total life insurance in force, but only seven years to achieve \$2 billion. United Services expects to hit \$3 billion in 1980.

Leadership qualities

What is it like to serve with a board made up of so much military brass? President Schultz replies:

"For one thing, the leadership qualities of these men stand out. You can see the keen military mind at work. They have a real talent for getting at the heart of a problem in a hurry."

Does Leslie Schultz, onetime Navy lieutenant, feel cowed in the presence of so many admirals and generals?

"I don't think a single one ever even asked me my rank," he says. •

continued on next page



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PEOPLE IN BUSINESS

An Effective Way to Get Employees on Your Side

HOW CAN you improve productivity, cut down on waste, and reduce accidents on the job?

A well-conceived bulletin board for employees may be part of the answer.

The industrial division of The Marlin Firearms Co., in North Haven, Conn., is in the business of providing such bulletin boards. They are much fancier than the traditional thumbtack and cork affairs. Called "news centers," they carry enlarged news pictures and texts, motivational messages, company announcements, and a variety of other communications material, all with immense eye appeal.

"One of the keys to good employee relations is effective communication,"

says Stephen J. Schramm, vice president and general manager of the Marlin industrial division. "The news center is a way to promote employee understanding and cooperation."

Heading off unionization

Marlin Firearms came up with the idea of a news center in 1941 as a means of reaching its own employees. Customers visiting the plant were impressed, so Marlin made up similar display kits and gave them as gifts. Finally, because of demand, Marlin decided to market the news centers. Today it has some 8,000 regular clients, hundreds of them overseas. Marlin sends out new material thrice weekly to all clients.

Marlin Firearms has been using "news centers" like this one for 36 years. The firm considers them one of its most valuable communications tools.



A number of clients have told Marlin they believe the news centers have helped prevent unionization, Mr. Schramm says.

"Two unionization attempts have been made here at Marlin during the past dozen years, and I know that our ability to communicate with our employees has helped us defeat the union efforts," he says. "Unions have admitted that, if a company communicates well with its employees, the employees don't need a union."

Many of Marlin's clients are hospitals. St. Joseph Hospital in Nashua, N. H., with almost 700 employees, says openly that it uses the Marlin news center, along with other communication tools, to make the hospital an unattractive target for union organizers.

"We make all of our employees feel they are a part of the team, from the lowest-paid worker right up to the top," Joseph A. Howarth, associate executive director, told NATION'S BUSINESS. "We do this with effective communications."

Employees who hustle

Barry Sullivan, personnel manager at Wasley Products, Inc., in Plainville, Conn., says the news center approach has helped knock down many barriers that existed between management and the company's 335 employees.

"We wanted to convince our people that we were giving them all the facts about the company operations," he explains. "We wanted to make it easier for them to have input into the system, to air their grievances."

Mr. Sullivan recalls that one visitor to the Wasley plant, which makes lighting fixtures and rubber products, was so impressed with the Wasley communications program that he later wrote the company: "I had expected to see a bunch of spoiled, very slow-moving people. But your people hustle."

Variety of campaigns

Because of the variety of material furnished by Marlin, client companies can direct almost any kind of campaign at their employees. From a few sample posters:

"If at First You Don't Succeed . . . We're Wasting Money and Material. Please Succeed the First Time."

"Quality Work Stands Out . . . Like Those Who Produce It."

(For hospitals) "Can You Keep a Secret? Please Do When Dealing With Confidential Patient Information."

Marlin Firearms was launched in 1870 by John M. Marlin, who learned gunmaking during the Civil War. The company had its ups and downs, perked up during World War I, and then nose-dived. Unable to pay its taxes, it went on the auction block in 1923. Frank Kenna, Sr., a lawyer and entrepreneur, bought Marlin for \$100. Today Frank Kenna, Jr., is head of a company whose

sales are about \$40 million a year.

Marlin, through its own news center, pioneered the concept of publicizing to employees how costly such extra employee benefits as paid vacations and pensions are to a company.

"We have found in so many cases that companies simply don't do a good job of selling themselves to their employees," Mr. Schramm says. "Any organization can correct that deficiency with a sound, hard-hitting employee communication program."

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NB-77

Focusing on People and Productivity

It's a long way from working at a grocery in Prairieburg, Iowa, to heading a big company in Detroit. Gilbert Richards has traveled that route and has transformed The Budd Co. from a loser to a winner. Here is how he did it

GIL RICHARDS has a simple but effective philosophy about running a company: Focus on people and productivity.

That formula helped him turn The Budd Co. around from a \$20 million loser in 1970 to a winner that had \$27 million in net profits last year and expects to do better this year.

Gilbert Francis Richards, chairman and chief executive officer of Budd, is as much at home making small talk with a union shop steward as he is in the corporate boardroom.

Gil Richards started at the bottom, working on drilling crews in the California oil fields and pumping gas in a filling station. The Depression cut short his dream of going to Dartmouth, and he had to settle for a

high school diploma. Working with Henry Kaiser, at the West Coast Kaiser shipyard during World War II, taught him some lessons he never forgot.

Good housekeeping

"I learned two precepts from Henry Kaiser that are essential, not only for productivity, but for employee morale as well," he says. "One is good plant housekeeping. The other is that the top guy in a company should not hole himself up in some walnut-paneled executive suite, but should get out on the production line and talk to people."

A management "that tends to look exclusively at the balance sheet, and not at its people, is going to have

trouble with the balance sheet," he says.

Gil Richards is blunt and gruff, and cuss words come to him easily—whether to express glee or anger. Many of his company's 23,000 employees like it that way. They know the boss says what he means.

The Budd Co. is the largest independent supplier of automotive and truck products—from disc wheels to chassis—in the world. Budd also makes stainless-steel railway passenger cars and industrial plastics.

Budd moved its corporate headquarters from Philadelphia, where the company was founded in 1912, to Troy, Mich., in 1972. That was a condition laid down by Mr. Richards when he became Budd's president



and chief executive officer in 1971. Since 85 percent of Budd's business was in the Detroit area, he felt that was where headquarters should be.

Iowa-born

Gil Richards, who became chairman in 1974, was born 61 years ago in Prairieburg, Iowa, where his grandfather homesteaded after the Civil War. As a boy, he rose at 4 a.m., milked the cows, and rode horseback to and from a little red schoolhouse. At Tilton Academy in Laconia, N. H., he had his heart set on college. But his father's money ran out, and it was back to Prairieburg, where he worked briefly in a grocery store.

Hitchhiking, he joined the migration to California and wound up in the oil fields. When he heard that an oil company was looking for young men for sales training at filling stations, he applied and was accepted. It meant a pay cut, but he was doing what he wanted, selling—gasoline, spark plugs, and batteries.

In a sense, Gil Richards still considers himself a salesman. Lee A. Iacocca, president and chief operating officer of the Ford Motor Co., sees him in another role. He says:

"If we believe that a manager is a man who gets things done, then Gil Richards is a manager—one of the best."

Record-breaking sales

When he took over as president, Mr. Richards began eliminating or consolidating operations that were not turning a profit. The company moved steadily away from the \$20 million loss of 1970 and began making money again.

In 1975, after the worst recession since the 1930's and the lowest automotive industry sales in more than a decade, Budd earnings totaled \$10.3 million on sales of \$794 million. Last year Budd broke the billion-dollar mark for the first time, a year ahead of a target date set by

Gil Richards. The company chalked up net earnings of \$27.2 million on sales of \$1,060,862,000.

Gil Richards and his wife, Mitzi, live in Bloomfield Hills outside Detroit. Mrs. Richards usually accompanies her husband on his extensive travels in the U. S. and abroad.

In the following NATION'S BUSINESS interview at Budd's sprawling new headquarters complex in Troy, Gil Richards talks about his climb up the corporate ladder and describes some of his techniques for running a highly complex manufacturing enterprise.

Mr. Richards, do you still consider yourself a salesman at heart?

Not as much as I used to be. You know, a true salesman doesn't think about such things as costs and profits. He is just interested in selling.

Ed Budd [the late Chairman Edward G. Budd, Jr., son of The Budd Co.'s founder] asked me that same question 17 years ago, and I answered him the same way. Actually, all of us are salesmen in a way. I'm still selling, but as part of a broader picture than when I was really out peddling.

Is selling a talent you are born with, or do you acquire it?

I think a true salesman is born with it. However, you can train people mechanically in the general principles of salesmanship. Our people in the plants, our plant managers, they have to be good salesmen to sell the rank and file.

Looking back, did getting up at 4 a.m., milking cows, and riding to school on horseback serve you well in the years that followed?

It sure as hell did. I wouldn't want to go back to it, but doing those things, plus the Depression, really taught me something. When we look at our own children today, we can see that a little touch of hard knocks would be damned beneficial.

As a nation, are we getting too soft?

No doubt about it. I'm not going to charge our people with lack of productivity. They are victims of the times. We are now talking about four-day weeks and adding more holidays as we go along. In the end, this costs you and me and all the public more money.

Do you have any regrets about not going to college, considering that you have achieved so much success without college?

Very much so. I really wanted to be a lawyer. I remember actually crying some nights because I couldn't go to Dartmouth. The thought has never left me. I'm seriously thinking of going to college when I retire.

Getting back to selling: What sparked your interest in that?

Well, I hitchhiked to California in 1935, when I was 19, and went to work as a roughneck in the oil fields. After a while I decided I wanted to try selling for a living. I went to an oil company in Pasadena and applied for a training job in a filling station.

Did you have to take a pay cut?

Oh, yes. They paid me \$90 a month, and I had been making more in the oil fields. But they gave me one hell of a training course in selling everything from spark plugs to batteries. I had this regular customer whom I tried to sell everything under the sun every time he drove up. One day he turned to me and said: "I would like you to go to work for me in the San Diego area, selling ship's stores to the Navy." That was the S & K Sales Co. I took the offer and stayed with the company for four years.

You left when World War II started?

Well, I tried to sign up with the Navy as a flier, but I was turned down because I was already married and had one child. So I went up to San Francisco to see if I could get a

job with the Kaiser shipyard. They hired me as a materials salvage supervisor.

And you got to meet Henry Kaiser?

Yes, and I was scared to death, but he put me at ease awfully quickly. He was one of the greatest salesmen in the world, no question about it. He could be as hard as hell, but always with a soft voice.

Did you learn anything from Mr. Kaiser?

Oh, yes. Probably the most important thing was good housekeeping in the plant, and I'm a stickler on that today.

I'll never forget the time a little later, when I was district sales manager for Kaiser, and we were starting up a gypsum plant in Long Beach, Calif. I got a call about midnight from the assistant general manager. He said: "Meet me down at the plant."

I said: "What the hell for?" Then he said: "Because Mr. Kaiser just arrived from New York, and he is coming down to look at the plant. He couldn't sleep."

Well, I got down there in a hurry. Mr. Kaiser soon arrived and found the place was a mess. The man in charge was transferred on the spot. Mr. Kaiser said: "I've been building things up and down the world for a long time, and whenever I see a dirty plant or a dirty construction job, we are losing money."

From that moment on, housekeeping became the next thing to godliness with me.

You got in the service eventually?

Yes. I joined the Army, and they sent me to Camp Roberts near Paso Robles, Calif. I had been in about 80 days—the easiest 80 days in my life—when a civilian car drove up while I was on the rifle range. The two passengers in the car were looking for me. One was the personnel manager and the other the general manager of Kaiser Permanente Cement Co. They told me they had been to see the commanding general about getting me out of the Army.

I said: "You've got to be kidding. No way." I hadn't asked to get out.

A week or ten days later, the sergeant major called me in and said: "You big son of a bitch, I've been in this thing for six years. You've been in less than three months, and you're getting out day after tomorrow."

I damn near fainted. A few days later, I was in the cement business.

How did you wind up with Budd?

First let me tell you how I got to Philadelphia. In 1952, I was with Kaiser Metal Products in Bristol, Pa., serving both as general sales manager for commercial products, like bathtubs and kitchen cabinets, and as purchasing agent for the aircraft end of the business. We were building the wings, bomb bay doors, and fuel tanks for the British Canberra bomber. The plant shot up from 1,000 employees to 11,000 overnight.

This went on for about four years. One day I got a call from an executive headhunter whom I had met through a friend, and he asked me if I'd like to meet P. T. Sharples, of the Sharples Corp. in Philadelphia [now Sharples & Co. Properties, of Denver]. They made industrial centrifuges. I agreed to meet with Mr. Sharples.

When I got there, he said to me: "I don't know what I'm doing talking to you. You didn't go to college, and you're not a chemical engineer. We need a chemical engineer. But I tell you what—I want you to meet my family."

They were an old Quaker family, wonderful people. Old P. T. is now in his 80's.



"Leadership is an intangible thing. You can see it in a good manager—a person who surrounds himself with people who trust him and who will follow him."

The next thing, he said: "Would you like to spend a weekend with me down at Palm Beach? I want you to meet some of my friends."

He was really looking me over. I wound up as vice president of sales.

How long were you with Sharples?

A little more than two years. The Budd Co., where I moved next, was just down the street.

How did that move come about?

Again, through a friend. He said I should meet Ed Budd because a lot of the top management people at Budd were in their 60's and facing retirement. I met with Mr. Budd. Everybody in management called him Mr. Budd, like everybody at Ford calls Henry Mr. Ford. As we were talking, he said: "Well, here's what we've got. Here's our problem."

The company's defense division was trying to get a big contract to sell stainless steel to North American Aviation, Inc., for a new bomber. He offered me the job of division sales manager, and I took it. About four months after I went to work, I had to report to Mr. Budd that we didn't have a chance of getting a chunk of that aircraft business, after pouring \$5 million into the project. I said to myself: "Well, I just talked myself out of a job."

Instead, a few weeks later, Mr. Budd called the staff together and said to me: "Would you consider going to Detroit and being vice president of sales of the automotive division?"

I went to Detroit in April, 1959, to take over my new job.

When you became president some years later, were you back at headquarters in Philadelphia?

No. It came about this way. In the fall of 1971, I was in Japan with my wife trying to get steel from the Japanese—reverse salesmanship. I got a call asking me if I could be back for a special meeting of the board of directors in Philadelphia. We jumped on a plane, flew to Los Angeles, then to Philadelphia, and got to the meeting at five o'clock the next afternoon.

On a number of occasions, I had strongly suggested to Mr. Budd and to Phil [Philip W.] Scott, his successor, who took early retirement, that an outside study be made to find the best man to take over the com-

How to Achieve Total Financial Freedom

"Millionaires Are Not 100 Times Smarter Than You, They Just Know The Wealth Formula."

We've never met and probably never will, but I think we share a common interest. That interest is in achieving complete and total financial freedom.

Because of this common interest, I think we can be of great help to each other. You see, a little over twelve months ago my net worth reached the magic million dollar mark, and it only took me 48 months to achieve that.

That might not impress you, but if you had seen me just a few years ago, you might wonder how I did it. I lived in Denver then, in a cramped, tumbled down house at 2545 South High Street. My wife was expecting our second child and we were so broke we had to borrow \$150.00 from a relative just to buy food and pay the rent.

By the way, I know I didn't make a million dollars because of my superior intellect — I barely got through Ames High School (Ames, Iowa) with a C average and I think that if you'll stop and think, you'll realize and agree, there is not a single millionaire that is 10, 20, or 50 times smarter than you, or that works 10, 20, or 50 times harder or longer than you.

Now, how can we help each other? I am willing to share everything I have learned and know that would help and guide you to achieve your own financial freedom and independence. But the only way I would ever give you my secrets, methods and formulas is if I benefit also. Because as you will find when you reach your ultimate financial goals, you really don't want to stop there but you are motivated to go and make more. It seems that most people who are charging for financial advice have studied how to "do it" but have never actually "done it" themselves. You will find as you read my formulas, that since I have actually achieved total financial freedom myself, that you will receive from me more than just the motivation to achieve your own financial independence, but a workable step by step plan to actually do it.

You may have seen part of my formulas described in various publications, such as the November edition of *Nations Business*, page 69. This work is entitled *How To Wake Up The Financial Genius Inside You*. The various formulas contained in the volume will show you exactly how you can do each of the following:

- buy income properties for as little as \$100 down.
- begin without any cash.
- put \$10,000 cash and more in your pocket each time you buy (without selling property)
- compound your assets at 100% yearly.
- legally avoid paying federal or state income taxes.
- buy bargains at one-half the market value.

If you apply these formulas and methods you will find in a very short time, you will be able to spend three weeks out of every month doing anything you care to do, and I think, at

that time, you will find as I have, that spending several weeks on the beaches of Hawaii, or on the ski slopes of Colorado, or just sightseeing in Europe, or any other place in the world, you begin to understand what real freedom is all about.

Most people think that it would be impossible to do some of the things listed above. For example, to buy a property, and at the same time put \$10,000 (or more) cash in your pocket without selling the property, or to buy a property with little or no cash down.

Believe me, it is possible and fairly simple. This is exactly how most wealthy people actually do make 10, 20, or 50 times more money than you do.

These formulas of mine do not have to be used with income properties only. They actually can be applied to virtually any asset.

While I was struggling on making my first million, I often thought how nice it would be to have the personal advice and counsel from someone like Howard Hughes or J. Paul Getty.

What would I have been willing to pay for this service? I can tell you one thing for sure, it would have been a lot more than the \$10.00 that I'm going to ask you to invest in your financial future.

What will this \$10.00 actually do for you? It will give you a complete step by step plan that you can follow to become totally and completely financially independent.

Please try to understand my dilemma. I'm not a New York advertising agency, with all their professional skill and manpower to write a powerful and persuasive ad to convince you that I can make you financially independent. I am just somebody who has actually 'done it', and can really show you how to 'do it'.

What would you do, if you were in my shoes. You have in excess of \$1,000,000 net worth, you have a desire to share your formula with others, because you not only have a simple, honest and workable method whereby others too can enjoy the riches of this land, but you also want to benefit and make money from sharing this information, so you can continue to grow financially.

I think you might do what I'm doing — that is to write a simple open letter to the type of people who share similar goals as mine asking them to try the formulas for themselves, to see if they work as well as the claims described. Because, I know, as you would know if you were in my shoes, that if I can just convince you to test my formulas and methods, you will see for yourself that they will work as easily for you as they did for me.

It's really quite frustrating to have something so valuable as I know I have, but lack the skill to convince people to try it for themselves. I hope by my simple, direct approach, I can convince



Mark O. Haroldsen
Millionaire in 48 Months

you to try my formulas.

It seems the majority of the people in our rich country lose, not because they lack intelligence, or even will-power, but because of procrastination, or lack of action — please don't be like the masses. Make a decision while you have this paper in your hands. Make a decision now to either act now and send for my material or immediately round file this paper. If your decision is to subscribe, do it now, not later. Otherwise, you may lose, just by default.

To order, simply take any size paper, write the words "Financial Freedom Package", and send it along with a check for \$10.00 to Mark O. Haroldsen, Inc., Dept. E-786, Tudor Mansion Bldg., 4751 South Holladay Blvd., Salt Lake City, Utah 84117.

If you send for my materials now, I will also send you documents that will show you precisely how you can easily borrow from \$20,000 to \$200,000 at 2% above the prime rate using just your signature as collateral.

Mark O. Haroldsen

P.S. I am convinced that by applying my formulas, as I have, you too may gain financial freedom. If you are not completely satisfied that what I have sent you lives up, in every aspect, to what I've told you here, send the material back, and I will quickly, without question, refund all your money. Also, if you would like to check a few of my references, I have listed some below.

Tracy Collins Bank & Trust, 107 South Main, Salt Lake City, Utah
Attn.: Beverly Smith, Manager.

Charles Huber, C.P.A., 1850 Beneficial Life Towers, Salt Lake City, Utah.
801-531-8286.

pany. When I got to Philadelphia for the special board meeting, they offered me the job of president and chief executive officer.

I said I would accept only if headquarters were moved to the Detroit area. The company's automotive division was in deep trouble at the time, and I was president of the division. Actually, 85 percent of the Budd business was in Detroit and only 15 percent in Philadelphia. The board accepted my condition.

Do you still prow around your plants on weekends and late at night?

Not as much as I once did, although it is a hell of a temptation. I hate sitting in the office. I'm not built for it. I never was and never will be. I have as few meetings as possible—only when they are necessary for good management communication.

On these plant tours, it was never my intention to take people by surprise. I got to know the guys awfully well, and they expected to see me walking around. And it's amazing how much you pick up—you might learn, for example, that a wildcat strike is in the making because of dirty toilet facilities.

One afternoon I was walking around the Detroit plant, and these two big union shop stewards standing around the fountain called me over. They told me to take a drink of water. I did.

The pipes were dirty. I had the fountain jerked out in 30 minutes.

So you have had a good relationship with the unions?

Let me tell you a story. Some years ago I was in Europe visiting auto plants there. I couldn't help but notice the cleanliness. It was unbelievable.

I got on the phone and called my vice president of employee relations. I told him: "I want a team of union leaders, our plant manager, and our production manager to come to Europe on The Budd Co."

He said: "What the hell are you drinking?"

"Not a damned thing," I answered, "but I have been drinking in the beauty of these plants, and I want these people to see them, too."

About 28 people came over and toured these plants. After we returned, the unions themselves took the leadership in a big cleanup campaign that transformed our own company's plants.



A management "that tends to look exclusively at the balance sheet, and not at its people, is going to have trouble with the balance sheet."

What do you consider the ingredients of good management?

Loyalty, integrity, and the ability to lead people. People can have confidence in a manager with these qualities.

Leadership is an intangible thing. You can see it in a good manager—a person who surrounds himself with people who trust him and who will follow him.

Good managers are also the kind of people who will stand up and tell you to your face what they really think, instead of whispering to each other behind your back.

So you don't have yes-men around you?

I wouldn't tolerate them.

How about young executives on the way up? What do you look for?

Essentially the same qualities—men and women who can be candid. If I make a decision, I let them disagree. But I want them to disagree in front of me.

Does anything stand out as the most satisfying experience in your business life?

I would say turning the Detroit operation around from a \$9 million loser to a \$20 million winner with a

cohesive team of people working together.

Any outstanding disappointments?

None that stands out. There were some goals I set out to achieve but didn't. You can't win them all. I have had some disappointments with people, but not too many.

Can you pinpoint a stage in your career when you saw yourself emerging as an executive?

It wasn't a sudden thing; the perception just gradually evolved.

How would you describe your style of management?

Every person who brings an issue before me and calls for an evaluation can expect a direct answer within a reasonable time. There is always a clear-cut decision.

Any special techniques for making decisions?

Yes, I sleep on them.

Once you arrive at a decision, what then?

I don't fret over it. Once you have committed yourself, what's the good of worrying? There are too many other things to fret about.

How do you motivate people?

Slap them on the back and kick them in the seat of the pants.

A little of both?

Yes. We all need a little of both. I get mine from the board of directors or from my wife.

Can a young man or woman today, without college, achieve what you have?

I think so. But, you know, I have a young man who has been driving for me for a number of years. Eight or nine years ago I wanted him to go into training in the plant or to try sales. He said to me one afternoon, when we brought him in to have a drink after a football game: "Look, I see what you do every day and what you put up with. I'm happy doing what I'm doing."

He's a hard worker. He puts in many hours for me, but I guess everybody doesn't want to be a general. I didn't realize I would wind up here either, to tell you the truth.

The Budd Co. has just passed the billion-dollar mark in sales for the first time. How does that make you feel?

It is a very satisfying feeling. But you can't rest on your laurels. You have to keep putting goals out in front of your people and yourself.

How would you characterize the image of American business today?

It is changing. Businessmen are speaking out more. We have learned to go to Washington when we have a gripe. Businessmen are coming out of their shells.

More and more companies have programs involving colleges and universities. And that's the place to start educating the public. You find that these college kids are pretty damned smart. If they have the wrong concept of what business is all about, it is because businessmen have failed to tell them what it is all about.

Can the American economic system survive as we know it?

I just have to feel that, somehow or other, we have the guts and intelligence to make it survive.

But there are a lot of things we have to do to help it survive, and we have to do them right now.

I hope it isn't too late. ☐

REPRINTS available. See page 55.

NATION'S BUSINESS • JULY 1977

Have you ever compared the cost of having a stranger answer your phone with the cost of having Code-A-Phone®?



Typical 3-year costs for an answering service:

Basic 24 hour service (Covers 65 calls/mo.) ...	\$300/yr.	\$ 900
Excess calls charges (10/mo. @ 25¢ each) ...	\$ 30/yr.	90
Line extension charge (Paid to phone company, Avg. \$12/mo.) ...	\$144/yr.	432
Installation charge (One time only) ...	\$ 25	25
TOTAL IN 3 YEARS		\$1,447

After 3 years, the cost differences are pretty dramatic: over \$1400 for an answering service vs. about half that for Code-A-Phone, the automatic telephone answering system.

What's more, Code-A-Phone life expectancy goes well beyond the first 3 years. So it goes on saving you money, while an answering service never stops costing you.

But saving money is only one reason to put Code-A-Phone to work for you.

When people reach an answering service, they're reaching somebody who probably doesn't know much about your business.

About all the operator can do is offer to take a name and phone number.

But with Code-A-Phone, everything is recorded on tape, so callers can leave a message in language you'll both understand. Messages won't get lost or scrambled, and you even get to hear the caller's tone of voice.

If you'd like a demonstration of how Code-A-Phone can save your business money, while

*Charges may vary.

**Manufacturer's suggested retail price.



Typical 3-year costs for Code-A-Phone:

Initial cost (Model 333 with remote control) ...	\$550**
Telephone jack (One time only) ...	25*

TOTAL IN 3 YEARS \$575

doing a more businesslike job of answering your phone, look in your Yellow Pages for the nearest Code-A-Phone dealer. Or fill out the coupon below. Or: Call our toll-free number for more information: 1-800-547-4685 (In Oregon, call 1-774-1104).



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Dear Code-A-Phone: Suddenly it all adds up.
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Company _____
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NB

Partnership That Pays Off for the Public

Business people are teaming up with conservationists in an effort that benefits not only the environment, but companies as well

A FEW MONTHS AGO, the Continental Group, Inc., formerly Continental Can Co., gave away some land and made money doing so.

The land, 138 acres in McCormick County, S. C., along Stevens Creek, was of minor importance in Continental's business plans. It was very important, however, to conservationists.

Growing on the land is a prickly green shrub, a distant relative of the gooseberry, that is so rare that its only name is its scientific one, *Ribes echinellum*. By turning over the land to the state for management by the South Carolina Wildlife and Marine Resources Department, Continental gave an endangered species a chance to survive.

Return in tax breaks

It was Continental's first gift of land for conservation; it may not be the last, for Continental learned in the process of giving away the habitat of the *Ribes echinellum* that landholdings of marginal or less value can bring a return in tax breaks if properly donated to the ecology movement.

Not to mention the benefit to the corporate image.

There were middlemen in the Continental-South Carolina deal for Stevens Creek land. Unlike in other

business transactions, the middlemen got nothing out of the deal except satisfaction, even though the deal would not have transpired without them. They were:

- The South Carolina Heritage Trust, an organization of conservation specialists in the state government. This group identified the Stevens Creek property as the No. 1 target for conservation efforts in South Carolina.

- The Nature Conservancy, a national, private organization which works closely with the South Carolina Heritage Trust. The Conservancy was formed in 1950 to identify land that should be preserved as ecologically important and to provide the expertise and funding to acquire such land, either for its own stewardship or for transfer to government, as in the Stevens Creek case.

- The American Land Trust, an adjunct of The Nature Conservancy formed in March, 1976, by ecology-minded businessmen and others for a two-year drive to provide \$200 million worth of bicentennial gifts of land to the public. The goal is a gift of at least one valuable land area in every state. The drive is aimed primarily at corporations.

Primed with business know-how and inside contacts, the American



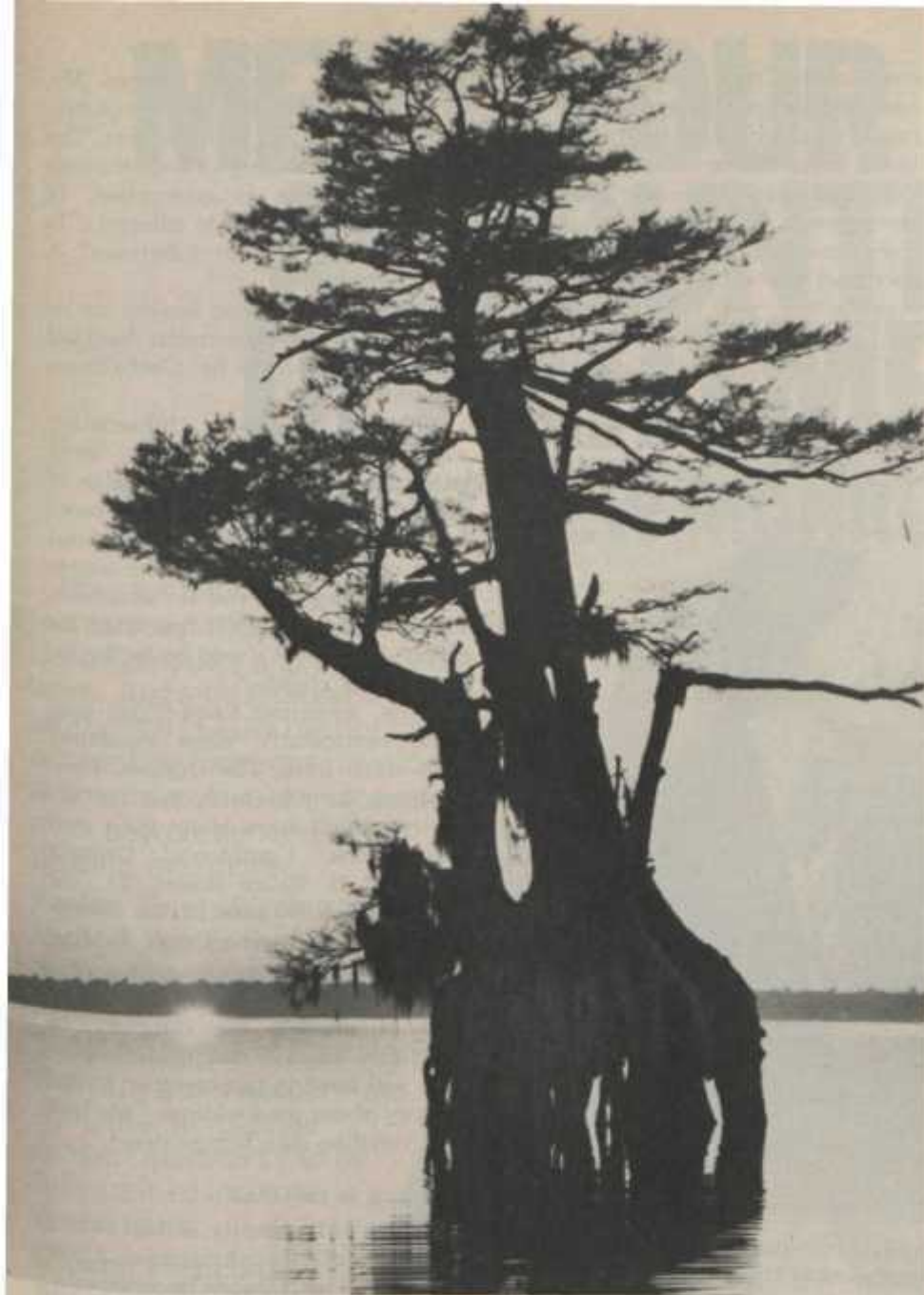
Purchase of wetlands on Maryland's Eastern Shore preserved a haunt of our national symbol, the bald eagle.

Land Trust is an ecology organization geared to appeal to corporations rather than attack them.

Friends in high places

The idea for the American Land Trust came to Nathaniel P. Reed, then an Assistant Secretary of Interior, in December, 1975. He had been both disturbed and inspired by a newspaper article quoting John D. Rockefeller III to the effect that the U. S. bicentennial observance should go on until at least the year 2000.

"I wanted something more meaningful for the bicentennial than fireworks and marching bands," Mr. Reed says. "And I thought: What



Towering cypresses are a feature of company tracts in the Great Dismal Swamp that now are a wildlife refuge.



This is the *Ribes echinellum*, a rare shrub that survives on land donated by the Continental Group, Inc.

more meaningful gift to the nation could there be than land, land that sustains life?"

Mr. Reed's zeal for conservation is matched by his friendships in high echelons of business, and he promptly called together 40 of these friends in New York and tried out his idea on them. He was encouraged.

A lasting legacy

"We talked of a lasting legacy from corporations, and it made sense both as corporate public relations and from a tax standpoint," Mr. Reed says. He had long been associated with The Nature Conservancy, and he mentioned it as a privately

supported environmental organization that had had some successful experience working with big business.

Perhaps, he suggested, big business could be made more aware of how The Conservancy operated, could get to know that this was an ecology group not out to sue but to ask for cooperation. Perhaps, he said, more businesses could be persuaded to cooperate with The Conservancy.

Among Mr. Reed's listeners was Alexander Calder, Jr., chairman of Union Camp Corp., a company that had already worked with The Nature Conservancy. In 1973, the company had worked out with The Conservancy a formula to donate 49,000 acres of Union Camp land in the Great Dismal Swamp in Virginia. A key facet was that Union Camp could relinquish title to The Conservancy in increments spread over several years, each increment equated to five percent of the firm's net income—the federal tax law limit on write-offs for charitable contributions per year. The land is now part of a national wildlife refuge.

A hearing in boardrooms

Mr. Calder endorsed Mr. Reed's idea of a drive to get other corporations to follow Union Camp's lead, and so did Patrick F. Noonan, president of The Nature Conservancy, who committed its resources and expertise. But both suggested a separate organization, geared specifically to winning a hearing in corporate boardrooms. So when the American Land Trust came into being, its national committee was heavy with people who traveled in the top echelons of big business.

Cochairman, with Tom McCall, former governor of Oregon, is Dan

Lufkin, chairman of the brokerage firm of Donaldson, Lufkin, and Jenrette, Inc.

Then there are Robert O. Anderson, chairman and chief executive officer of Atlantic Richfield Oil Co.; Roy D. Chapin, Jr., chairman of American Motors Corp.; Morse G. Dial, Jr., a vice president of Union Carbide Corp.; Coy G. Eklund, president and chief executive officer of

can Land Trust more than their names. They are doing whatever they can to gain access for the trust's staff to the inner offices of corporations in their industries. Note the industries represented: oil, chemical, automotive, agriculture and lumber, insurance and real estate, publishing and broadcasting, and investment banking.

The American Land Trust staff is

Mr. Wills is to meet. Before Mr. Wills sets out, he is thoroughly briefed and armed with dossiers. The philanthropic history of both the firm and its officers is researched, of course, but so are side interests. Is the chairman a trout fisherman? A bird-watcher?

Here the trust leans heavily on its contacts in the investment banking community, headed by Cochairman Lufkin.

"There's so much information available," Mr. Wills says, "even without coming close to the edge of violating confidences. In many cases investment bankers can tell us about their clients—who may have assets that fit our criteria and tax situations which make land gifts beneficial for them—because it would be in the interest of the clients."

Often, American Land Trust dossiers, particularly when combined with data from The Nature Conservancy, turn up facts that top executives don't know about their own corporations. Continental Group's President S. Bruce Smart, Jr., for instance, had no idea of the importance of the Stevens Creek holding for conservationists.

The initial response of the president of another big company to American Land Trust feelers was: "We will have to put together an inventory of our landholdings." He had discovered no such thing existed.

Timing is crucial

Timing is frequently crucial to the activities of the American Land Trust and The Nature Conservancy.

Take the case of the Jarrett tract, 2,530 acres of wetlands adjacent to the Blackwater National Wildlife Refuge on Maryland's Eastern Shore. Developers were after the tract with drainage and landfill plans that alarmed ecologists. Development, ecologists said, would wreck habitats of two endangered species, the Delmarva fox squirrel and the nation's symbol, the bald eagle.

The American Land Trust and The Conservancy's Maryland chapter were able to get a \$50,000 grant from the Middendorf Foundation which assisted The Conservancy in negotiating a low-interest loan of more than \$1 million to secure the tract. Secure is the correct word. The U. S. Fish and Wildlife Service had pinpointed the tract as vital for preservation but had not had time to prevent its sale to developers; actions



A happy middleman in the Continental Group's gift of the habitat of the *Ribes echinellum*, in South Carolina, was L. Gregory Low, of The Nature Conservancy. Handing over the deed: Jess L. Belser, head of Continental's forest industry operations. Right: South Carolina Gov. James B. Edwards.

Equitable Life Assurance Society; Marshall Field, chairman of Field Enterprises, Inc.; John H. Filer, chairman of Aetna Life and Casualty Co.; R. Philip Hanes, Jr., chairman of Hanes Dye and Finishing Co., Inc.; Charles J. Hedlund, president of Esso Middle East; Kenneth E. Hill, an executive vice president of Blyth Eastman Dillon & Co., Inc.; John W. Kluge, chairman and president of Metromedia, Inc.; Roy E. Larsen, vice chairman of Time, Inc.; William C. Liedtke, Jr., president of Pennzoil Co.; and Grant G. Simmons, Jr., chairman of Simmons Co. And, of course, Alexander Calder of Union Camp.

These men are lending the Ameri-

headed by George S. Wills. Mr. Reed says with a laugh that "George spends half his life in airplanes." That is only a slight exaggeration. In one short spell, Mr. Wills's itinerary included stops in New York, Boston, Vermont, Boston again, San Francisco, Pittsburgh, Chicago, and Atlanta. Object: Meetings with corporate executives.

Mr. Wills's operation of the trust emphasizes thorough planning and preparation.

Inside information

One member of the trust staff of six in the Washington headquarters is engaged full-time in researching companies and their executives whom

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in Congress—authorization and appropriation—are necessary for such preventive action. The Conservancy will turn over stewardship of the land to the Fish and Wildlife Service as soon as congressional action is complete.

"Buying time is one of our main functions," The Conservancy's President Noonan says.

A pristine stream

Another instance where the American Land Trust and The Conservancy stepped in, even more down-to-the-minute, involved a 480-acre tract in Idaho along Silver Creek. No endangered species of wildlife here, but a remarkably pristine stretch of stream esteemed by trout fishermen such as Ernest Hemingway. The owners had put the tract up for sale, and unless The Nature Conservancy could exercise its option to buy for \$600,000 by June 1, 1976, the land seemed destined to go to second-home developers.

By The Conservancy's self-imposed rules it could not dip quite that deeply into cash reserves unless irreversible, unique ecological damage was involved. Less than a week before the deadline, on May 27, Boise Cascade Corp. came through with a grant of \$100,000, enough to let The Nature Conservancy exercise its option for the Silver Creek tract.

It was the largest single cash contribution Boise Cascade had ever made, according to the company's director of corporate communications, Robert B. Hayes. The contribution was a demonstration that a widely held company could respond promptly to a crisis not involving its own finances.

"As a natural resource company, we are often accused of having a disregard for the environment; we feel this is a tangible demonstration of our concern," Mr. Hayes says. That Boise Cascade was able to act so promptly reflects the know-how of The Conservancy and the American Land Trust about corporate functions—Mr. Wills and his colleagues can talk in terms of balance sheets.

Obligation to stockholders

Mr. Calder of Union Camp says that the Land Trust and The Conservancy "realize we have to justify any donation to our stockholders." The Conservancy's Mr. Noonan says, "We know the corporate executives have an obligation to their stockhold-

ers to get a return on their assets. Where we can really do the job is to show that what are listed as dead assets can turn into a positive cash flow."

A major portion of the American Land Trust's operating funds has come from a \$200,000 grant from the R. K. Mellon Foundation. There have been smaller grants from other foundations and a series of corporate grants—among them, \$5,000 each from Aetna Life and Casualty, Field Enterprises, and Digital Equipment Corp.; \$10,000 each from Equitable Life Assurance Society, Travelers Insurance Companies, Union Carbide, and Union Camp; and \$25,000 from Exxon Corp. and U. S. Steel Corp.

How does this money go to work? How does it fulfill its function as seed money to generate more? The answer starts with a 17-minute promotional movie, narrated by TV veteran Hugh Downs, a member of the American Land Trust's national committee. This film, which features beautiful camerawork of natural areas, is reproduced—200 copies are being circulated around the country.

For film funding assistance, Mr. Wills tapped the Weyerhaeuser Co.,

already far into the conservation message business with a national television ad campaign promoting itself as "the tree-growing company."

Weyerhaeuser was one of the American Land Trust's first land donors, adding 11,000 acres of Great Dismal Swamp land in North Carolina to the Virginia package given by Union Camp. Weyerhaeuser had the right to work the land even though the Great Dismal Swamp had been made a wildlife refuge. But Weyerhaeuser made the gift, appraised for tax purposes at \$5.9 million, because "we didn't want to conflict with a public objective," according to the company's manager of land and timber resources, Robert N. Witter, Jr.

Who shows the American Land Trust film? Well, another member of the trust's national committee is Mrs. Maxwell W. Steel, a director and past president of the National Council of State Garden Clubs, Inc. Also, Mr. Wills and Mr. Noonan show the film to corporate executives.

So the American Land Trust is hard after its \$200 million goal. And George Wills's suitcase is never put away in a closet. □

Gifts That Don't Disrupt Cash Flow

What kind of return does a corporation get on a gift of land? It gets a tax deduction for a donation without disrupting cash flow as a money gift would.

A typical case is a recent donation of 2,850 acres by Union Camp Corp., through the American Land Trust, to the Florida Department of Natural Resources. The tract borders Crescent Lake in northeast Florida and was appraised at \$955,000. Since Union Camp can expect about \$1 billion in sales annually, the entire \$955,000 could be deducted under the federal tax law provision limiting charity write-offs to five percent of gross income.

Like most major corporations, Union Camp is taxed at the 48 percent level, so the transfer saved the company roughly half of \$955,000 in taxes. An added factor is that Union Camp did not want to fur-

ther harvest the area and chance destroying the delicate ecology.

Similarly, Metromedia, Inc., turned over to the U. S. Forest Service, through the American Land Trust, 716 acres on Mt. Wilson in California that it had scratched from its income-producing plans. Metromedia had acquired the tract, valued at \$1.3 million, in 1964 as part of property for its KTTV (Los Angeles) transmitter. It had built an observation and food service pavilion and a children's zoo and parking facilities, but it had closed them because crowds were not large enough to make the facilities profitable.

Metromedia might have been able to sell the tract, but only for a use that might have been ecologically damaging. The company decided to make the gift and settle for the tax break.

The Ultimate Tax Shelter



by
TED NICHOLAS

Tax experts are now referring to a small, privately owned corporation as "The Ultimate Tax Shelter." This is especially true since the passage of the Tax Reform Act of 1976. This law makes most former tax shelters either obsolete, or of little advantage. Investments affected include real estate, oil and gas drilling, cattle feeding, movies, etc. These former tax shelters have lost their attractiveness. Aside from that, these tax shelters required a large investment. Only a small segment of the population could benefit from them.

I've written a book showing how you can form your own corporation. I've taken all the mystery out of it. Thousands of people have already used the system for incorporation described in the book. I'll describe how you may obtain it without risk and with a valuable free bonus.

A corporation can be formed by anyone at surprisingly low cost. And the government encourages people to incorporate, which is a little known fact. The government has recognized the important role of small business in our country. Through favorable legislation incorporating a small business, hobby, or sideline is perfectly legal and ethical. There are numerous tax laws favorable to corporate owners. Some of them are remarkable in this age of ever-increasing taxation. Everyone of us needs all the tax shelter we can get!

Here are just a few of the advantages of having my book on incorporating. You can limit your personal liability. All that is at stake is the money you have invested. This amount can be zero to a few hundred or even a few thousand dollars. Your home, furniture, car, savings, or other possessions are not at risk. You can raise capital and still keep control of your business. You can put aside up to 25% of your income tax free. If you desire, you may wish to set up a non-profit corporation or operate a corporation anonymously. You will save from \$300 to \$1,000 simply by using the handy tear-out forms included in the book. All the things you need: certificate of incorporation, minutes, by-laws, etc., including complete instructions.

There are still other advantages. Your own corporation enables you to more easily maintain continuity and facilitate transfer of ownership. Tax free fringe benefits can be arranged. You can set up your health and life insurance and other programs for you and your family wherein they are tax deductible. Another very important option available to you through incorporation is a medical reim-

bursment plan (MRP). Under an MRP, all medical, dental, pharmaceutical expenses for you and your family can become tax deductible to the corporation. An unincorporated person must exclude the first 3% of family's medical expenses from a personal tax return. For an individual earning \$20,000 the first \$600 are not deductible.

Retirement plans, and pension and profit-sharing arrangements can be set up for you with far greater benefits than those available to self-employed individuals.

A word of caution. Incorporating may not be for you right now. However, my book will help you decide whether or not a corporation is for you now or in the future. I review all the advantages and disadvantages in depth. This choice is yours after learning all the options. If you do decide to incorporate, it can be done by mail quickly and within 48 hours. You never have to leave the privacy of your home.

I'll also reveal to you some startling facts. Why lawyers often charge substantial fees for incorporating when often they prefer not to, and why two-thirds of the New York and American Stock Exchange companies incorporate in Delaware.

You may wonder how others have successfully used the book. Not only a small unincorporated business, but enjoyable hobbies, part time businesses, and even existing jobs have been set up as full fledged corporations. You don't have to have a big business going to benefit. In fact, not many people realize some very important facts. There are 30,000 new businesses formed in the U.S. each and every month. 98% of them are small businesses; often just one individual working from home.

To gain all the advantages of incorporating, it doesn't matter where you live, your age, race, or sex. All that counts is your ideas. If you are looking for some new ideas, I believe my book will stimulate you in that area. I do know many small businessmen, housewives, hobbyists, engineers, and lawyers who have acted on the suggestions in my book. A woman who was my former secretary is incorporated. She is now grossing over \$30,000 working from her home by providing a secretarial service to me and other local businesses. She works her own hours and has all the corporate advantages.

I briefly mentioned that you can start with no capital whatsoever. I know it can be done, since I have formed 18 companies of my own, and I began each

one of them with nothing. Beginning at age 22, I incorporated my first company which was a candy manufacturing concern. Without credit or experience, I raised \$96,000. From that starting point grew a chain of 30 stores. I'm proud of the fact that at age 29 I was selected by a group of businessmen as one of the outstanding businessmen in the nation. As a result of this award, I received an invitation to personally meet with the President of the United States.

I wrote my book, *How To Form Your Own Corporation Without A Lawyer For Under \$50*, because I felt that many more people than otherwise would could become the President of their own corporations. As it has turned out, a very high proportion of all the corporations formed in America each month, at the present time are using my book to incorporate.

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Annual Report for the Young Tells the Business Story

FOR A COMPANY which sells no consumer products and whose name is hardly a household word, Wheelabrator-Frye Inc. has a lively thing going with the American public, including fourth graders.

"My mother and father might be interested in your company," wrote a fourth-grade student at Public School 209 in Brooklyn, N. Y. "And I want some more information. And I want the magazine my teacher gave me—for keeps."

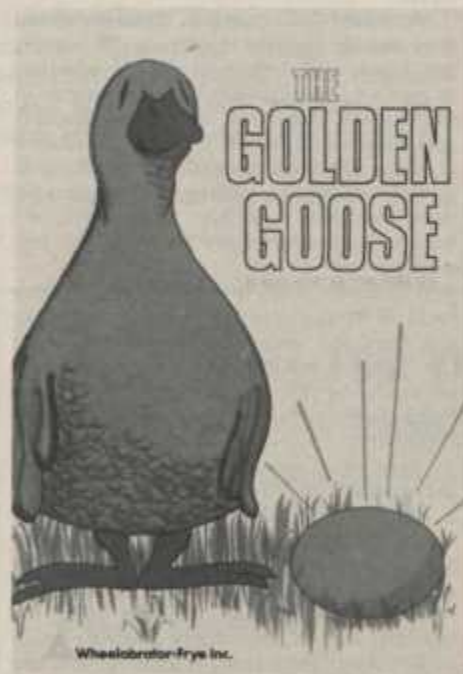
The "magazine" was an annual report from Wheelabrator-Frye. Not its regular annual report, but the company's annual report for young people.

Facts that are overlooked

With simple, straightforward prose and cheerful line-drawn characters, the report conveys what the company does and, just as important, explains basic facts about the private enterprise system that are sometimes overlooked or misunderstood by people of all ages.

"I have just finished reading your annual report for young people," a manufacturer's representative from California wrote. "This is the first time in years that I have read completely an annual report from the many I receive. It has to be the most refreshing and interesting annual report I have ever read."

Wheelabrator-Frye, of Hampton, N. H.—it is the largest firm in that small state—is a major supplier of items including environmental con-



The cover of the Wheelabrator-Frye report and one of the lessons taught inside: That profits typically are small in relation to sales and help create jobs.

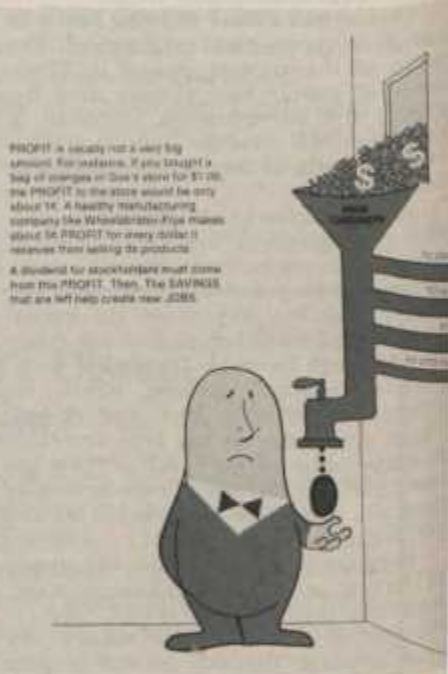
trol and energy generation systems, inks, specialty chemicals, and reproduction papers.

Aside from a garbage-to-energy plant it built in Saugus, Mass. [see "A Free Enterprise Solution to a Tough Public Problem," *NATION'S BUSINESS*, August, 1975], its products and services are not the stuff of general public interest. Yet its annual report for young people, now in its fourth year, is the corporate equivalent of a best-seller.

The press run is more than 160,

PROFIT is usually not a very big amount. For instance, if you bought a bag of oranges in the store for \$1.00, the PROFIT to the store would be only about 14¢. A healthy manufacturing company like Wheelabrator-Frye makes about 14¢ PROFIT for every dollar it receives from selling its products.

A dividend for stockholders must come from the PROFIT. Then, the SAVINGS that are left help create new JOBS.



000, some 60,000 of which go to company stockholders. The rest go to a growing list of schools, libraries, organizations, and individuals, most of whom, by means not precisely known to the company, hear about the report and write in for copies.

Other companies, too

Wheelabrator-Frye is not the first or only big company to target materials for what used to be called the peanut gallery. Macmillan, Inc., the publisher, has done an annual report

for children, and other firms also have sought vivid ways to communicate with youngsters.

No company, however, is more dedicated in this area than Wheelabrator-Frye. Its special annual report, like any good idea, seems to accomplish more than just one thing.

First, there are the young people. Michael D. Dingman, president of the company, believes in the importance of the young to business.

"In the normal course of business, corporations tend to ignore young people," he says. "The facts about what is done at a given company,

what companies in general do, how they fit into a free economy, and the private enterprise system itself only rarely get through to the younger generation.

"I think one of the results, with the passing of the years, is the low esteem in which the business community is held. I have never analyzed my own motivation for wanting to do an annual report for young people, but I imagine this was at the bottom of it."

Then there are the grown-ups. Mr. Dingman: "The complexities of our private enterprise system, including

the role of corporations in our society, are not always understood by the adult public. Capital formation, the means by which private industry creates jobs, the benefits of private versus public expenditures—these aren't easy subjects.

"There has been a general feeling that government can solve every problem and that companies, far from being able to help solve them, help cause them. A reader of our annual report for young people gets the other side."

Readers of the report get more than that out of it, of course. A number of stockholders, for example, have written in to say that, thanks to the report, they finally understand what a wheelabrator is. It's a machine used to clean metals and other materials.

The golden eggs

The 1976 report is called "The Golden Goose" and is loosely based on Aesop's fable, "To Kill the Goose That Laid the Golden Eggs."

The report tells, with the help of the goose and other cartoon characters, what Wheelabrator did with the \$394 million in sales the company had last year.

Also, the report discusses the enterprise system in easy-to-follow language that takes much of the murk out of economics. The goose represents business, large and small, which lays the golden eggs of paychecks and jobs.

"But," the report advises, "like the goose who could lay only one egg a day, business can create only a certain amount of paychecks and jobs each day. If we demand too much, we take away its health or even its life. Remember the greedy man in the fairy tale."

In an era when concerned businessmen are exhorting each other to tell industry's story—not just to influence public opinion but even to teach economics with a skill only direct experience can supply—Mr. Dingman thinks his company has found a good way to communicate the business message to young and old alike. □

Discussing Issues — A Corporate Trend

"Every major tax cut since World War II has been followed, within fairly short order, by a strengthened economy and consequent higher overall tax revenues."

An excerpt from a speech? From a newspaper editorial? From a magazine article?

No, from a corporate annual report, the one that stockholders of the Koppers Co., Inc., received recently.

There is a growing trend among corporations to have annual reports comment not only on developments within a company, but also on outside developments that affect business.

The Koppers Co.'s annual report to stockholders for 1976 includes a three-page essay, illustrated with cartoons, on the need for capital formation in the American economy. The company's report for 1975 included a similar essay on profits, and the 1974 report included an explanation of the effects of inflation.

"Koppers management is concerned that the production base of the U. S. economy is being severely eroded," Koppers Chairman Fletcher L. Byrom says. "Shareholders, we feel, represent a con-

cerned constituency which should be aware of current conditions in the U. S. that appear to be leading to the gradual demise of the private enterprise system."



In addition to going to shareholders and to the financial audience that sees such annual reports, the Koppers message—reprinted in booklet form—has been mailed to educators, government leaders, editors, and business executives.

"These people," Mr. Byrom says, "should be asked to understand the need for increasing the sources of capital, such as earnings and depreciation, which provide the cash flow so vital to the maintenance and growth of our system."

The Coming Leap Forward in China Trade

BY JULIAN M. SOBIN

The present leadership in Peking is committed to economic growth, and sizable increases in Chinese imports can be expected. How much of these imports will be from the U. S.?

THE PEOPLE'S REPUBLIC of China is on the growth trail. The Peking government will give the highest priority to orderly economic development in the years ahead.

This should mean an enlargement of China's role in world trade, with renewed Chinese investment in oil for export and more purchases of advanced technology and capital equipment from the West and Japan.

Pronouncements in the Chinese press underscore a new emphasis in Peking on foreign trade expansion.

"The facts eloquently prove that foreign technology makes China stronger," said a joint declaration by China's new leadership group in the "People's Daily."

Material incentives

Mao Tse-tung's successor, Hua Kuo-feng, says his administration will brook no interference with economic growth. Management of the economy will be entrusted to qualified planners, and the bestowing of higher wages as rewards for fulfilling production quotas will be reintroduced.

Chinese officials say production schedules were seriously undermined in the past, slowing the growth of Sino-Western trade, as a result of a downgrading of managerial efficiency and emphasis by the "gang of four" on such nonmaterial incentives as awards of red flags. The "gang of four" includes Mao Tse-tung's widow, Chiang Ching, and her three closest allies: Chang Chun-chiao, vice premier and chief armed forces commis-

sar; Wang Hung-wen, number three in China's Communist Party; and Yao Wen-yuan, a member of the ruling Politburo. All were arrested last fall.

Now that a new set of economic reforms is being implemented, China's production will increase, Chinese trade officials are saying, and so will her exports and imports.

Profit motive in farming

As a further incentive to boost production, Hua is expected gradually to ease restrictions on the amount of communal land set aside for private cultivation and to approve a return to a system of limited rural free markets which will provide Chinese peasants with profit for produce they grow on private plots.

Confirming the economic direction of China's new regime are key appointments and the reemergence into prominence of figures long associated with economic development based on profitability and extensive commercial exchanges with the West.

Wan Li, the minister of railways who lost his job last year, has been reinstated. He was ousted because he tried to deal with railway labor problems by raising wages and offering other material incentives—a cardinal violation of the old policies. Hsiao Han, who supports a policy of buying from abroad, has been named to the top post in the Ministry of Coal Industry.

On the way back is Kang Shih-en, who was ousted as minister of petroleum and chemical industries because

he favored intensive development of China's oil resources in order to underwrite acquisition of technology and capital equipment acquisition from the West and Japan. The appearance of his name on the committee which planned Mao's funeral presages his rehabilitation.

In addition, Party Vice Chairman Li Hsien-nien and former Deputy Prime Minister Teng Hsiao-p'ing, both of whom favor a rapid program of economic modernization based on extensive commercial exchanges with the West, played pivotal behind-the-scenes roles in helping Hua Kuo-feng assume power last October. It is only a question of time until both are given major assignments in the new administration.

Those who doubt that Hua Kuo-feng will prove durable enough to put his economic intentions into effect overlook the fact that he enjoys the backing of powerful regional military commanders and of Defense Minister Yeh Chien-ying.

U. S. share is small

Imports arranged at China's semi-annual Canton Trade Fair last autumn surpassed the import levels at previous fairs, a confirmation of the intent of China's economic planners to increase purchases from abroad. Total business transacted—both import and export deals—was in the \$800 million range.

While statistics for the spring trade fair last April and May are not yet available, it is clear that China's purchases again reached record levels.

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and that total business transacted exceeded the total transacted at the previous fair.

The volume of business transacted by U. S. firms was minimal at both fairs: about \$50 million last autumn and some \$60 million in the spring. The largest Sino-American trade contract signed at either fair was a U. S. sale of polyester fibers worth approximately \$10 million.

Total U. S. exports to China were about \$470 million in 1973, \$819 million in 1974, \$303 million in 1975, and \$135 million in 1976. During these years China's total imports averaged about \$7 billion annually.

In fact, China accounts for no more than one percent of U. S. exports. And the United States accounts for no more than 2.5 percent of China's annual exports of about \$6.5 billion.

Japan leads

Meanwhile, Japan and Western Europe hold 25 percent and 15 percent of the China trade, respectively.

Japan, of course, enjoys cost advantages in the Chinese market because of geographic proximity. But U. S. businessmen eager for more trade with China need not be overly concerned about this. Experience has shown that distances will not deter the Chinese from buying anywhere in the world. They never hesitate to switch orders from Japan to manufacturers in Europe, for example.

What stands in the way of Sino-American trade growth are a number of obstacles, the removal of which would require either a political leap leading to full diplomatic relations or a step-by-step approach.

These obstacles include this country's current inability to provide Export-Import Bank financing; the lack of direct commercial banking relations with the People's Republic of China; the absence of direct shipping and airline connections between the flag carriers of China and the United States; and the lack of most-favored-nation tariffs on Chinese goods imported to the United States. Duties on Chinese goods are 100 to 300 percent higher than those on goods from countries to which we grant most-favored-nation status.

The frozen assets issue

Eximbank financing and direct banking relations and shipping connections will not be possible until settlement of the frozen assets issue

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is achieved. (Assets totaling \$196 million and \$78 million were seized by the Chinese and American governments, respectively, in the early 1950's.) This is because private claimants might seek redress through the courts by attaching ships, aircraft, or other Chinese property which came into the United States.

High officials of the Peking government have indicated a desire for negotiations on the frozen assets issue, even without full normalization of diplomatic relations.

China's staggering needs

The Chinese seem to wish to follow the step-by-step approach in easing constraints on Sino-U. S. trade. At the same time they have given clear indication that, barring unusual and unforeseen circumstances, they will insist on formal diplomatic relations before permitting a significant rise in trade with the United States.

China's industrial and agricultural requirements to carry out her avowed modernization plans by the year 2000 are staggering, and there should be a significant role for American industry in this modernization process.

The Chinese requirements include substantial purchases of manufacturing machinery and even of complete plants; telecommunications equipment; transport equipment, such as heavy trucks, tractors, and other special-purpose vehicles for construction, mining, agriculture, and forestry; aircraft and aircraft components to upgrade the nation's civil aviation fleet; railway vehicles; and ocean freighters.

China needs chemical fertilizers—China's agricultural productivity must be increased by 26 percent over the next ten years to meet demand from her population, which is growing at the rate of 1.25 to two percent annually. And China needs oil drilling machinery to develop her vast oil resources. China earned nearly \$1 billion from crude oil exports in 1975 and more than \$500 million in 1976. She lowered her oil prices last year in order to capture a greater share of the oil market, especially in Asia.

Quakes reduce steel output

Also, China needs metals—especially copper, nickel, lead, and steel—and metal products.

The tragic earthquakes which devastated the northern city of Tangshan last August substantially increased the Chinese market for

foreign steel. Tangshan's Kailuan coal complex of seven mines produced enough coking coal to support the output of ten million tons of steel, about half of China's total production in 1976. Chinese planners had counted on their country's steel production rising to an average of about 35 million tons annually over the next few years to help complete mechanization of agriculture by 1980, a key priority of China's fifth five-year plan (1977-1981).

With the reduction in steel output caused by the destruction of Tangshan's coal mines, China will have to increase purchases of steel; steel products, including bars, seamless tubing, hot rolled plate and sheet; tractors; and water pumps.

Chinese Trade Minister Li Chiang recently reiterated a promise of significant growth in Sino-U. S. trade if



Mr. Sobin is senior vice president, international business development, of International Minerals & Chemical Corp.

full diplomatic ties between Peking and Washington are established.

A Sino-American bilateral trade agreement also would remove impediments to trade growth. Whatever course the Carter administration decides to take on these complex issues, it can rely on a substantial reservoir of friendship which has traditionally existed between the Chinese and American peoples. □

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A Railroad Fights Its Way Into the 20th Century

BY O. K. ARMSTRONG

For 30 years the story of the Florida East Coast could be summed up in one grim word: bankruptcy.

Then new management took over and used a success formula which could spell a brighter future for America's other troubled railroads

SEVENTEEN years ago the Florida East Coast Railway was in bankruptcy—and had been for 30 years. Its operating earnings were insufficient to meet fixed charges. Proper maintenance for its tracks had been deferred. The line made do with antiquated yards and shops. It employed a work force twice the size needed for efficient operation.

Then the railroad got out of the rut in which it had been since the Great Depression. The Florida East Coast was taken over in 1961 by a company headed by Edward Ball, a Jacksonville industrialist. He recruited Winfred L. Thornton, an experienced executive of another railroad, to help him run the bankrupt line.

Ed Ball and Win Thornton firmly believed that what was basically wrong with American railroads was that they lacked productivity and efficiency. The two men set out to prove that the Florida East Coast could be made profitable.

Modern and efficient

Today the rail line, which runs from Jacksonville to Miami, is not only solvent, but is making the profit Chairman Ball and President Thornton expected.

With 349 miles of main line and 150 miles of branch lines, the Florida



East Coast is recognized as one of America's most modern and efficient railroads. Its physical plant ranks high among the Class One railroads, those with gross annual revenues of \$10 million or more. The service the Florida East Coast supplies to shippers in prompt pickup and delivery, and in protection of materials, is outstanding.

Formula for other railroads?

The secret of the Florida East Coast's success? Mr. Ball, Mr. Thornton, and their management undertook a sweeping reorganization. Their major goal was to rid the railway of restrictions in antiquated work rules which they believe to be the major cause of railroad failures and threatened failures today.

Of the 50 Class One railroads reporting operating figures to the Interstate Commerce Commission last year, 12 reported deficits. Many of the others were only marginally profitable. In all, the rate of return on investment reported by the rail-

would benefit from increased railroad efficiency, and so would consumers, because costs of products shipped by rail would drop.

"Obsolete, 19th century operating work rules completely infiltrate the working agreements between the railroad unions and the railroads," Mr. Ball says.

To illustrate what he means by obsolete work rules, he cites one of the most notorious: Train operating crews paid for a day's work on the basis of 100 miles or eight hours, whichever occurs first.

"In the 19th century it usually took eight hours to go 100 miles," Mr. Ball explains. "Today such a run takes between two and three hours. Three crews of four or five men each generally were required to move a train 300 miles in the 19th century. Today two men, paid on the basis of the eight-hour day, which is standard for most industries, can perform the same service."

The Florida East Coast successfully fought for updated work rules

the entire distance with two men. In 1960 three through-freights were operated in each direction per day between Jacksonville and Miami. Today nine through-freights are operated in each direction, giving the public a highly competitive service and moving cars more efficiently than ever before."

The Florida East Coast management overcame several other archaic or make-work operating rules, still in effect on most Class One railroads.

For example, on most Class One lines, yard engines may start work only between 6:30 and 8:00 a.m., 2:30 and 4:00 p.m., and 10:30 p.m. and midnight, regardless of when an engine actually may be needed. At the Florida East Coast, the requirements of the customer govern.

Rules separating road and yard crews prevent yard engines from switching cars at points more than four miles beyond the switching limits of a yard. For example, if a plant is located five miles from a switching yard, the railroad is prohibited, ex-



The Florida East Coast Railway, in climbing out of bankruptcy, has reduced its debt while spending millions on modernization of plant and on equipment such as that shown here. The line has beefed up its fleet of special carriers of automobiles.

roads came to only 1.49 percent—far below what could be considered an adequate rate of return. The Association of American Railroads says that a ten percent rate of return would be adequate.

Mr. Ball declares the Florida East Coast's policies could turn the situation around at other ailing railroads in short order.

Not only the railroads would benefit, Mr. Ball says. Other businesses

based on the concept of a day's pay for an eight-hour workday, with overtime for beyond the eight hours.

Two men instead of 15

Mr. Thornton draws on some figures to show what happened when the 100-mile work rule was updated:

"In 1960 a freight train running from Jacksonville to Miami required three five-man crews, or a total of 15 men. Today that train is operated for

cept under certain circumstances, from having yard crews do the switching at the plant. This must be done by road crews. At the Florida East Coast, either yard or road crews switch at all plants.

When the present management took over the Florida East Coast, numerous rules providing for special pay allowances were in effect. Many of these rules were hoary with age. For example, the number of cars

handled in through-freight and local-freight trains determined the scales of pay received by conductors and trainmen. Each member of a yard crew, when required to couple or uncouple a hose, received an extra allowance of 95 cents per tour of duty.

When a train was delayed more than 75 minutes in leaving its initial terminal, each member of the crew received double pay computed on a minute-by-minute basis until the train actually left the terminal. Other rules cluttered the determination



Edward Ball is 89, but he is an active chairman of the Florida East Coast. He is also chairman of the St. Joe Paper Co.

of pay for terminal switching, for moving engines from tie-up point or to fueling point, and so on.

Unions strike

The Florida East Coast went through a nine-year strike, the longest strike in railroad history, before it could prove the Ball-Thornton formula for success.

The walkout started when nonoperating craft unions demanded a 25-cent-per-hour wage increase—they had made the same demand of all other Class One railroads in the U. S. Since the Florida East Coast had just emerged from bankruptcy, management felt the line could not afford the increase.

On Jan. 23, 1963, the nonoperating unions went out on strike. Members of the operating unions refused to cross the picket lines. The carrier was completely shut down. It was generally believed that the line's management was licked and would have to yield. Not so.

The day the strike began, crusty Ed Ball called on his supervisory personnel and nonunion help to get some of the trains running again.

Wave of terrorism

Disgruntled union employees fought back. When threats failed to bring Mr. Ball's management around, vandalism erupted up and down the line. During the early months of 1964, more than \$1 million worth of cars and cargo was blown up with dynamite.

Local and state officials were of no help to the beleaguered railway. Police in many cases ignored vandalism. The Florida Public Service Commission forced the railway to resume passenger service, despite the threat of sabotage.

Federal agencies were of no help, either. The Post Office took away contracts for handling mail as soon as the strike began.

The National Mediation Board repeatedly ignored management's requests for an emergency board to hold hearings. However, when the unions, frustrated because the railroad was in operation, asked for a board ten months after the beginning of the strike, a board was appointed. It recommended a pay settlement which other Class One railroads had accepted but which the Florida East Coast could not. The strike went on until 1972.

Victory at last

Despite the long strike and the terrorism, the Florida East Coast and its loyal employees maintained train service. In order to function, the railroad altered some work rules and had to fight numerous lawsuits filed by unions and federal agencies as a result.

In May, 1966, the U. S. Supreme Court affirmed a lower court decision that the railroad could deviate from prestrike work rules during the walkout.

Meantime, the Florida East Coast had gone through a three-year procedure under the Railway Labor Act to permit permanent modernization of archaic work rules. With the completion of the procedure, conductors, trainmen, and switchmen went on strike in 1966. Engineers went on strike in 1967. Determined, management stuck to its guns. The walkouts ended in 1975 and 1976, with employees changing their union representation.

Over the strike years, the railway's entire physical plant had been undergoing a vast improvement program—all from earnings.

Major items of modernization include a centralized traffic control system for 300 miles of line, and the installation of 325 miles of welded rail and 200 miles of concrete cross-ties. Electronic surveillance equipment has been installed at 20-mile intervals for detecting such problems as overheated axles, shifted load, dragging equipment, and loose wheels. Automatic crossing protection has been installed at more than 80 percent of all public crossings on the railroad.

In addition, the Florida East Coast has purchased 18 locomotives of the 3,000-horsepower type (32 percent of the fleet) and 700 freight cars, bringing the line's freight car total to 1,250. The line has substantially increased its fleet of auto racks—special carriers of automobiles—and has bought or ordered more than 500 trailer-carrying flatcars.

Spending up; debt down

Gross expenditures for capital improvements since 1961 have been more than \$51 million.

"Yet the debt of the railway has not been increased," Mr. Thornton points out. "It has, in fact, been reduced from approximately \$50 million to less than \$18 million. In 1960 there was not enough income available to pay fixed charges. In 1976 we had a net income of \$2.8 million after paying operating expenses of \$38.8 million and a total tax bill of \$5 million."

The Florida East Coast's net income last year was down from the year before—when it was \$6.5 million—because of a substantial increase in spending for maintenance and modernization.

Mr. Thornton notes that the Florida East Coast's transportation ratio—transportation expenses divided by operating revenues—is considerably lower than those of the nation's railroads as a whole. The line's ratio of expenditures for maintenance-of-way and structures, such as bridges—again, spending divided by operating revenues—is almost twice that of the average of other U. S. railroads. "This means that a large portion of revenue is being put back into track structure," Mr. Thornton says.

For the past several years the Penn Central Railroad has been in the hands of receivers. Penn Central offi-

cial and employees, as well as members of Congress struggling to bail out this and other bankrupt lines, were startled to receive a folder from the Florida East Coast with the caption: "Penn Central Earns \$387 Million in '74!"

Lesson for Penn Central

The folder hastened to add that such a headline was never written, "but it might have been, if the archaic work rules that exist on the nation's railroads had been eliminated."

A Florida East Coast study shows that if all U. S. Class One railroads had been able to achieve the Florida line's transportation ratio in 1974, their net operating income would have increased 169 percent, from \$981 million to \$2.6 billion.

What would the railroads have done with these extra earnings? Mr. Thornton believes they would have followed the Florida East Coast's example—they would have devoted much of the funds to the pressing need to upgrade and maintain their tracks.

"The elimination of the archaic work rules would perhaps mean fewer nonproductive jobs, but it would also mean far more productive jobs—for workers who are desperately needed to maintain tracks, cars, locomotives, and signals," Mr. Thornton says.

A good safety record

Labor union leaders, responsible for the long-standing featherbedding and other restrictive work rules, have traditionally tried to justify the 19th century regulations on the basis of safety of employees and passengers. They raised that cry when the Florida East Coast management put revised rules into effect.

That argument fell flat when figures began showing the Florida East Coast safety record. For a period of five years injuries per million man-hours among Florida East Coast employees averaged 4.5 annually, while the average among all U. S. railroads was 10.8. Train accidents per million train-miles for the same five years averaged only 2.7 for the Florida East Coast, compared to 9.9 for all railroads.

"Our efficiency has not been at the expense of safety in any respect," Win Thornton points out. "On the contrary, our profitable operation enables us to maintain one of the finest employee safety records and wreck-

free operations in the United States."

Chairman Ed Ball declares that the plight of America's railroads is leading straight and swiftly to nationalization. Those who advocate that, he argues, are misled into thinking government can operate railroads at a profit. "There never has been a nationalized railroad system that made a profit, and there never will be," Mr. Ball asserts.

Price of nationalization

He has the figures to prove it, from all major countries that have

of employees required per mile of track is considerably greater. For example: 22.1 Germans, 20.9 Englishmen, and 12.9 Frenchmen.

"The cost to the American taxpayers of government subsidies under nationalization would be beyond comprehension," Mr. Ball declares. "In every instance, nationalization has created a bottomless pit into which the taxpayers pour an endless stream of money. Let's spare our country from that!"

Mr. Ball adds that "if we are to avoid more railroads going into bank-



The long strike against the Florida East Coast was marked by violence and threats of violence. This was part of the scene on Feb. 9, 1964, when a dynamite explosion caused the derailment of four engines and 34 railroad cars and caused extensive damage to railroad and highway bridges. Today the line is peaceful and prosperous.

embraced government ownership and operation of railroads. He cites Canada, which has two rail systems, one privately owned, the other public. Figures for a recent five-year period show that the privately owned railroad earned an average of \$32 million a year after taxes while the government railroad lost an average of \$45 million.

Recent figures on railroad operations in countries where there is no private rail ownership show heavy losses. In Britain, where all railroads are publicly owned, annual railroad losses total more than \$200 million. Losses are also heavy in the Netherlands, France, Germany, and Japan.

Pressing his comparison further, Mr. Ball points out that U. S. rail lines, with all their archaic work rules, have an average of only 2.7 employees for every mile of track. In countries where the government owns and operates the lines, the number

ruptcy and the ultimate collapse of the railroad system in this country, we must take definite steps to put the industry on a different course."

Congressional indifference

The Presidential Railroad Commission, established by President Eisenhower in 1960, found that operating work rules were obsolete and recommended that they be changed. The only tangible reform was abolition of the featherbedding rule requiring firemen on diesel engines. Mr. Ball explains why the reform was so limited:

"For one thing, rail management is impotent to deal effectively with the vast power of the labor unions. And Congress permits this situation to continue to the detriment of the whole country. It is unconscionable for Congress to use taxpayer dollars to subsidize the railroads while perpetuating make-work union rules—

HOW TO BECOME A FINANCIAL GENIUS ... MOST PEOPLE WHO BECOME MILLIONAIRES START OUT POOR, WHEN THEY LEARN THE PRINCIPLES OF HOW REAL MONEY IS MADE THEY SOON BECOME RICH.

MY FRIEND:

I'm getting old, and I don't have much longer to live. Unless I do this now, when I go the secret goes with me.

What I am about to give you is **KNOWLEDGE**...the knowledge that will turn you into a financial genius. You don't have to be any smarter than average. As a matter of fact many people who I know to be millionaires are in fact rather lazy and stupid, but they know the principles of how real money is made and that is why they are rich.

I used to be an ordinary man. I spent the early part of my life stumbling in the dark, trying to find a way to make all the dreams I had as a young man come true. I wanted, like most people, to be wealthy, admired and respected. Yet, no matter how hard I tried, everything always seemed to be kept from me. As though it was all hidden in the very next room, a room whose door was impenetrable without the right key.

After years of being kept from those things that I wanted most in the world my spirit could have easily broken if I allowed myself to become consumed with failure and rejection. Little could I know then how lucky I was for this to have happened to me. For something grew inside me that would not let me rest until I found the answers that would bring me all the things I so desperately wanted.

This was the beginning of a search that would become an obsession. To find the knowledge that I so desperately longed for and knew must exist somewhere. The inspiration of the great men of the past took much of the torment away. The multimillionaires and reclusive billionaires that seemed to have the world at their beck and call. The men that were able to control the very destinies of nations. How they held respect and admiration, how they were rich and powerful but not me, never me. What did all these great men have that I didn't? I knew there must be an answer and I dedicated my life to finding it, because I knew there could be no true life for me until I did.

I started to read. I spoke with and studied of the richest, the most powerful, as well as the wisest men of my time. I read every possible piece of literature that I thought would hold a clue. I studied and

learned. Trying almost insanely to put all the pieces of this great puzzle together. I kept asking myself, what did these men have? What did they have that I didn't and how could I get it?

I involved myself in all sorts of situations trying to put into practice what I had learned. I traveled with the hope that the answers might somehow lie beyond the horizon and though I didn't find them there, I know now that the proverb, "Seek and ye shall find," couldn't be more true. For when the answers were finally revealed to me they came in a way that I could not directly attribute to any place I had been to or any individual effort I had made to find them. It was as though my mind had crossed into a new frontier, a frontier that I was certain relatively few men had ever gone into before. Suddenly I saw the whole world differently, what seemed confusing before I could easily understand. What was unobtainable before suddenly became easy to get. The things that people saw one way I saw differently as though I could detect more aspects of the same thing and thereby see it more clearly or as it truly was. I had an undefined power that gave me an advantage over

everything I did. After a while I realized that I was at last the way I wanted to be. I had learned what I wanted to learn and was at long last able to live the way I had dreamed and knew it was possible for a man to live.

It is written, "Once in a thousand years a man lives a dream." For the last third of my life that is exactly what I have done. I have lived with more wealth and power than any man could ever want. I have done almost everything that I have set out to do. I doubt if there has been a man who lived a more fulfilled life than I. But now, I have only memories. This, in my opinion, next to life itself, was the greatest gift that a man could be given. But now I have come to realize that if I don't share this knowledge now, I may never get another chance to do so. I now know that I am obligated to share it and in the end this was the way the fates had destined it to be.

Therefore, I have written what I have learned and published it in a special limited edition book that contains 344 pages. What I have learned about how to become rich and successful is by no means an isolated case. I have already received many letters of thanks from some of the people who have read my book. These include United

I am selling each copy of the book for twenty dollars and you gamble that twenty dollars on yourself. You may even postdate your check up to thirty days; this should eliminate any doubt as to its value and will give it a chance to prove its worth to you.

The reason that I am asking you to pay twenty dollars is that I am still a businessman and hope to remain so until the end, and it has long been my experience that nobody ever appreciates, takes seriously, or can gain the full advantage from anything they didn't have to pay for. I also realize that twenty dollars will prevent those people who shouldn't be ordering my book in the first place from ordering. This type of person doesn't think that they're worth a mere twenty dollars and I feel sorry for them for twenty dollars is much too important to this type of person.

I realize that you may not know who I am, but, if you have enough guts and confidence in yourself to order my book, I will also send you a book written by the man who was renowned as the richest man in the world, a man whom I've had great respect and admiration for, the late J. Paul Getty. His book is, "The Golden Age". I have bought at great expense the right to publish

this great book after Jean Paul's recent and sad departure from this world. I have also printed it in very limited quantities.

I feel that it is essential you read, along with my book, the message that Jean Paul wanted you to learn...and acquire the truths that took the richest man in the world his entire lifetime to learn.

Therefore, I am making you the following offer: If you feel that after reading my book it is not worth the mere twenty dollars you've paid for it, then send it back to me and I will return your uncashed check immediately. Not only that, you can keep J. Paul Getty's book, "The Golden Age" for your trouble. Or if you prefer, return my book anytime within a year. This will give you plenty of time to apply what it will teach you. Then if you are not convinced that this was the greatest decision of your life, return the book and I will send you back your money. You can lose only if you do nothing.

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The late J. Paul Getty standing in the courtyard of his home at Sutton Place, London. The knowledge, wisdom and experience of this great man is now yours to share, as he intended you to. But it's up to you to make the decision to accept it.

States Senators, businessmen and common people from all over the world. This only proves to me that which I knew all along, that by applying what I reveal about how to make money and become successful, anyone with a little gumption, guts and confidence in themselves can also become rich.

I would also like you to have my secret, but you'll have to realize that this ad will be read by many people, many of whom I do not even know. But I do know this, less than one person out of every thousand people who read this ad will do anything further. The rest will be timid, suspicious and unmoved by what is written here. They will reject it out of hand as a gimmick, a rip-off or a lot of nonsense. That is how it should be and that is good. Because if there were more people with faith enough in themselves to act on this knowledge it would no longer give those who acquire it the advantage that it does. The very fact that so few people have the guts to try, makes the opportunities for the rest of us limitless. So to you who will not act, our thanks. Your indecision and inaction has and will help make the others rich.

particularly when those very rules are the reason for the crisis facing the industry."

Answer for Conrail

On July 26, 1975, the quasi-governmental United States Railway Association published its final system plan for reorganization of bankrupt railroads in the northeast quadrant of the country. The plan created the Consolidated Rail Corp. and recommended the realignment of carriers and the infusion of approximately \$2.1 billion of the taxpayers' money to "refurbish" the railroads.

The Railway Association appoints six members to the 13-member board of directors of Conrail, all of whom come from the private sector. The goal is for Conrail to become economically viable so that it may retire its debt to the federal government. If Conrail does, its board would be of its own choosing.

Florida East Coast executives take a dim view of this arrangement, contending that it will only hasten government ownership of the railroads.

"The Conrail plan is de facto nationalization," Mr. Ball comments. "The government will run Conrail now and forever. The present creditors and stockholders will see their investment dwindle into insignificance in comparison to the ever-increasing debt to the federal government."

What is the answer?

"Congress should pass a resolution recommending elimination of all archaic work rules in the agreements negotiated by the Consolidated Rail Corp., then move on to similar action to unshackle all the rail carriers," says Ed Ball.

Need for political courage

Win Thornton adds:

"If the railroads are to be competitive and provide more economical transportation costs to the consumer, they must have efficient operations. Mergers of the rail lines are not the answer. We must have better, not bigger, railroads."

"Elimination of the featherbedding rules will require political courage, but it will be in the best interest of every working person, union member or not. Without a strong and viable rail system throughout the nation, all industry will be crippled and jobs will be lost."

REPRINTS available. See page 55.

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How You Can Fight Inflation

By 1986, busboys earning the minimum wage will be paid \$9,120 a year. Mailmen will make \$24,571 annually; truck drivers, \$33,587; and carpenters, \$57,399.

Those are the wages that will prevail if current pay and price trends continue, George S. Swope, a partner in Manplan Consultants, tells **NATION'S BUSINESS**.

"For the past 12 years," he says, "prices have risen at an average annual rate of 5.4 percent. Wages have risen even faster—seven percent annually from 1971 through 1975."

A study by Manplan, a Chicago-based consulting firm, analyzes the impact of tying pay and benefits to an ever-rising cost of living. The only way for the U. S. to avoid runaway "astro-inflation" is by major changes in pay policies and tax laws, Manplan says. Business, it adds, must lead in effecting these reforms.

Here are some of the things Manplan Consultants says that managers can do:

- Adopt a compensation system that rewards performance—particularly increased productivity.

"High wage-increase settlements without greater output can only inflame inflation to a runaway height," the firm says.

- Revitalize productive capacity.

"We must, through changes in tax laws and regulations, encourage the flow of capital into replacing obsolete [plant and equipment] and adding new productive capacity."

- Improve management.

"Part of the answer is more skillful development and use of individual and group talents to encourage highly productive efforts."

- Improve communications.

"Executive training and development," Manplan says, must include "communications beamed sensitively to the general public. Too many executives are still calmly at ease behind a desk, but wobbly and uneasy before the public."

- Take a more active part in civic and political affairs.

"Unions do," the firm adds.

Do You Know Which Firm Became Which?

Many corporations change names. The reasons vary.

In some cases, the old name no longer reflects what the company does. In other instances, the name seems cumbersome or old-fashioned and is streamlined.

In all cases, however, the company hopes to be better known by the public. Thus, the success of the change depends partly on how easily the company is recognized.

Here are ten corporations which have switched names. The list is from one compiled by Lippincott & Margulies, New York-based communications consultants.

How many do you recognize under both the new name and the old? For answers, see below.

New Name	Old Name
1. Abex	A. California Packing
2. Amcord	B. Security Life and Trust
3. Del Monte	C. United Biscuit Co. of America
4. General Host	D. American Cement
5. Humana	E. American Brake Shoe & Foundry
6. Integon	F. Ohio Oil
7. Keebler	G. United Gas
8. Marathon Oil	H. Noxzema Chemical
9. Noxell	I. Extendercare
10. Quantrix	J. General Baking

Answers

1—E; 2—D; 3—A; 4—J; 5—I; 6—B; 7—C; 8—F; 9—H; 10—G

Insuring the Company's Officers Against Loss

A company executive is more likely than the company itself to be the target of a liability lawsuit, The Research Institute of America, Inc., reports.

"Stockholders, consumers, employees, competitors, customers, creditors—even the proliferating array of federal regulatory agencies—all prefer to pin the individual executive with responsibility for alleged wrongs rather than sue the amorphous and inanimate company," the institute says.

"As a result, even the most scrupulous and conscientious executive may

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If you answer "yes" to any of these questions — then here at last is the practical help you've been waiting for. Whether you read for business or pleasure, school or college, you will build exceptional skills from this major breakthrough in effective reading, created by Dr. Russell Stauffer at the University of Delaware.

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thing you have ever seen or heard about. Research shows that reading is 95% thinking and only 5% eye movement. Yet most of today's speed reading programs spend their time teaching you rapid eye movement (5% of the problem) and ignore the most important part (95%) thinking. In brief, *Speed Learning* gives you what speed reading can't.

Imagine the new freedom you'll have when you learn how to dash through all types of reading material at least twice as fast as you do now, and with greater comprehension. Think of being able to get on top of the avalanche of newspapers, magazines and correspondence you have to read . . . finishing a stimulating book and retaining facts and details more clearly and with greater accuracy than ever before.

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This is a practical, easy-to-learn program that will work for you — no matter how slow a reader you think you are now. The *Speed Learning Program* is scientifically planned to get you started quickly . . . to help you in spare minutes a day. It brings you a "teacher-on-cassettes" who guides you, instructs, encourages you, explaining material as you

read. Interesting items taken from *Time Magazine*, *Business Week*, *Wall Street Journal*, *Family Circle*, *N.Y. Times* and many others, make the program stimulating, easy and fun . . . and so much more effective.

Executives, students, professional people, men and women in all walks of life from 15 to 70 have benefited from this program. *Speed Learning* is a fully accredited course . . . costing only 1/5 the price of less effective speed reading classroom courses. Now you can examine the same, easy, practical and proven methods at home . . . in spare time . . . without risking a penny.

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Dr. Russell G. Stauffer, originator and research director of this program, has been Editor of the *International Reading Association Journal*, Professor of Education, University of Delaware.



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Brevard County is the home of the Kennedy Space Center and the ever-growing Solar Energy Center.

We have excellent rail service by Florida East Coast Railroad, a deep water port at Port Canaveral and a new East/West & North/South Turnpike system. We also have a modern international airport at Melbourne and 3 General Aviation Airports in the Titusville-Cocoa Beach Areas.

There are five established industrial parks and some 1/4 million square feet of industrial and warehousing space available. We have generally lower construction costs and a large, skilled technical labor pool. Financing is available through banks, SBA, EDA and Industrial Revenue Bonds.

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find himself involved in legal action arising from the conduct of his routine duties."

The institute, on the basis of a study of lawsuits against business, says the fastest-growing area of potential liability is government regulation.

"Executives may encounter charges stemming from violations of securities laws, antitrust laws, occupational safety and health regulations, pension plan requirements, pollution standards, laws prohibiting employee discrimination, and product safety regulations," the institute warns.

One way to protect company officers is with directors' and officers' liability insurance. More and more companies are doing so.

Last year The Wyatt Co., a leading actuarial and risk management firm, asked 8,000 corporations if they carry such insurance. Seventy-one percent of those who replied answered in the affirmative.

Two years earlier only 58 percent said yes.

How to Be a Better Public Speaker

Speaking in public isn't as easy as talking to a friend on the phone, but it can be much easier than many businessmen realize.

Speech consultant Sandy Linver, who runs an Atlanta firm called Speakeasy, Inc., says that "many people make the mistake of trying to separate public speaking from one-on-one communication. Anyone who can do one well should be able to do the other equally well."

She adds: "Platform speaking doesn't demand a different you, only the best of you."

Here are some tips on being a bet-

ter speaker which she offers to readers of NATION'S BUSINESS:

- Get in touch with yourself.

Hear yourself as others do. Tape yourself, in order to spot bad speech habits. If you can, record a speech on videotape. Then you see and hear yourself as an audience will.

- Consider the audience.

If your audience isn't receiving you may as well not be sending. It is better to present 20 minutes of material to a listening audience than to talk 45 minutes to a tuned-out audience.

When you must present a lot of material, break up the presentation with an occasional change of pace. Insert some humor, say, or easily digested information. This gives the audience a chance to relax and soak up the material already presented before going on.

- Break the rules.

Many so-called rules—such as thanking the man who introduces you or the group that invites you to speak—tend to make your speech stilted and you boring.

Open with something that makes the audience sit up and listen. Try a startling fact or statistic, a prop, a quotation, or a rhetorical question.

- Don't take yourself too seriously.

You need not be formal and stiff to be credible. Your field is exciting to you. Make it exciting to others. Use examples that dramatize and drive home your point.

Remember, your audience doesn't want mere facts and figures. They could get that from reading a report.

- Beware of the manuscript.

A common mistake is to take a speech prepared by a writer and read it to the audience. The speaker must talk his way through a speech. Don't read and don't memorize. Both destroy spontaneity.

Confidence comes from knowledge of the subject, not a text.

- Know why you are speaking.

Often a speaker fails to analyze the real purpose of his talk—what the talk is expected to do and what his audience wants to gain. If a speaker knows this, he knows what materials he needs and what to discard.

"Is this worth all the trouble?" Ms. Linver asks.

Other factors being equal, she says, "a speaker who is effective will advance faster in his career than one who is not."

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Of all the stars who've ever performed at Kennedy Center, these executives are certainly among the brightest.

They've not only committed their companies to the Center's financial support, they've committed their own time and talent to the Center's Corporate Fund for the Performing Arts.

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Since its opening little more than 5 years ago, this truly national cultural center has attracted 8 million people to 5400 major performances in theater, dance, opera and music. The Center has provided nearly 600,000 half-price tickets to students and the elderly and, last year alone, sponsored more than 1500 free events.

In order to continue the flow and integrity of the Center's presentations and to underwrite new programs of unusual merit and universal appeal, the Corporate Fund is seeking \$1 million for 1977 in corporate contributions of \$5,000 or more—all of which are deductible under section 501(c)(3) of the Internal Revenue Code.

The Fund's Vice Chairmen, the top executives of the eleven companies noted below, urge you to seriously consider a co-starring part in this vital Capitol production. For a fuller explanation of why your corporation should participate in this enterprise, please write to our Chairman, Mr. Donald S. MacNaughton, Prudential Plaza, Newark, NJ 07101.

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The Inevitable Result of Too Much Government



INDEPENDENCE DAY provides a special incentive for recalling the thoughts of men who most influenced the revolutionary era and early years of this country.

Those patriots not only created a new nation, they established a representative form of government to run the nation.

Their concepts of American government are still timely today, despite the growth in both the size and complexity of the union born in 1776.

Consider these samples:

George Washington: "One method of preserving [public credit] is to use it as sparingly as possible . . . not ungenerously throwing upon posterity the burthen which we ourselves ought to bear."

Thomas Jefferson: "With all [our] blessings, what more is necessary to make us a happy and a prosperous people? Still one more thing, fellow citizens—a wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it earns. This is the sum of good government."

James Madison: "It will be of little avail to the people that the laws are made by men of their own choice if the laws be so voluminous that they cannot be read, or so incoherent that they cannot be understood; if they be repealed or revised before they are promulgated, or undergo such incessant changes that no man, who knows what the law is today, can guess what it will be like tomorrow."

The thoughts of those men can help us look beyond the massive government presence that surrounds us today and remind ourselves of what this nation is all about and should continue to be all about.

In one clear, simple sentence, Jefferson gave us this warning to go by:

"Were we directed from Washington when to sow and when to reap, we should soon want for bread." □

How To Finance A Lift Truck.

First, we'll assume you've already decided to finance your lift trucks, either by renting, by leasing, or through a purchase contract. There's usually not much point in tying up a lot of capital in capital equipment.

But, the question is, what's the best financing source?

We obviously have a bias in favor of your Hyster dealer.

The fact is, you can often save quite a bit in total costs by financing through somebody whose main business is lift trucks. Instead of going through somebody whose main business is money.

Your Hyster dealer can do things other financing sources can't.

Most financing organizations aren't in the business of knowing the life expectancy of a lift truck.

As a result, you could end up making payments on a truck for years after it should be traded.

But your Hyster dealer can help prevent that. He can study your operation, and then set the term of your contract to match the optimum economic life of your truck.

If you're renting or leasing, your Hyster dealer can predetermine the fair market value your truck will have at the end of your contract period. He can then figure that value into the terms of your agreement. Instead of making full payout for the entire cost of the truck, you pay only for that portion of the value of the truck consumed during the term of the lease.

That can lower your total rental or leasing costs considerably. Especially when you consider that Hyster trucks typically have the best resale value of any lift trucks made.

And, financing through your Hyster dealer will help preserve your line of credit at the bank.

This can be a real asset, since most companies can get a better return on borrowed capital by putting it into their business, than they can by putting it into their lift trucks.



How to put a guaranteed lid on maintenance costs.

Your Hyster dealer can rent you a new truck and build a full maintenance program into the package.

That means you can fix your total material handling costs for a specific

number of years. And we take care of all the headaches.

You don't have to worry about training mechanics, keeping maintenance records, or stocking parts.

And when you're finished using the truck, you're finished with it, period. Your company doesn't have to waste any valuable time trying to sell a used lift truck.

The most important consideration: financing that fits.

Your business isn't like anybody else's. So your financing shouldn't be like anybody else's.

And while any lift truck dealer can give you a number of options, your Hyster dealer can give you something else. He can give you experience.

The average Hyster dealer has been selling and servicing our trucks for more than 20 years. That's the best experience level in the business.

So when your Hyster dealer makes a recommendation, he isn't just going by some kind of national average. He and his people are applying years of personal experience to give you financing that fits your situation perfectly.

As far as we're concerned, a big part of our job is making sure your financing works just as well as your Hyster lift truck.

Hyster Company, Industrial Truck Operations, Box 334, Danville, IL 61832.

Hyster: the way to measure a lift truck.



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Only



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